

**MEMO# 14282**

January 3, 2002

## **CONGRESS CLEARS SEC FEES REDUCTION BILL**

[14282] January 3, 2002 TO: BOARD OF GOVERNORS No. 1-02 FEDERAL LEGISLATION MEMBERS No. 1-02 PRIMARY CONTACTS - MEMBER COMPLEX No. 1-02 PUBLIC INFORMATION COMMITTEE No. 1-02 RE: CONGRESS CLEARS SEC FEES REDUCTION BILL On the last day of the first session of the 107th Congress, the Senate passed legislation to reduce various fees collected by the Securities and Exchange Commission (SEC). The "Investor and Capital Markets Fee Relief Act" (H.R. 1088) was approved by unanimous consent on December 20, 2001. The House of Representatives passed the identical measure in June. The President is expected to sign H.R. 1088 shortly after the New Year. The legislation will reduce or eliminate all of the "user" fees imposed by the SEC, including transaction and registration fees. Since 1990, the discrepancy between the revenues generated by the Securities and Exchange Commission and its budget has been in excess of \$9 billion. The Institute has long proposed lowering fees to a level commensurate with the SEC's budget. The Institute's leadership on this issue was instrumental in the bill's passage. H.R. 1088 will save investors an estimated \$14 billion over ten years. The fee rates under Section 31 of the Securities Exchange Act of 1934 will decline to \$15 per \$1 million effective December 28, 2001, even though the legislation has not yet been signed into law. To accommodate compliance, firms will have until February 1, 2002 to implement the fee reduction under the condition that they have procedures in place to rebate the excess fees that will be charged until their systems are reprogrammed. The fee rates under Section 6(b) of the Securities Act of 1933 and Sections 13(e) and 14(g) of the Exchange Act will decline to \$92 per \$1 million effective October 1, 2001. H.R. 1088 also will allow the SEC to raise the salaries of employees to levels comparable to those at other federal financial regulatory agencies. The Institute has been a strong proponent of pay parity for SEC employees in the belief that enabling the SEC to hire and retain professional and competent staff is essential for the Commission to continue effective regulatory oversight of mutual funds. Matthew P. Fink President