

MEMO# 6671

February 17, 1995

SEC RESPONSE TO INSTITUTE SURVEY ON PERSONAL INVESTING

February 17, 1995 TO: BOARD OF GOVERNORS No. 30-95 MEMBERS - ONE PER COMPLEX
No. 20-95 SEC RULES COMMITTEE No. 24-95 RE: SEC RESPONSE TO INSTITUTE SURVEY ON
PERSONAL INVESTING

As you may recall, last December the Institute submitted to the SECs Division of Investment Management the results of its preliminary survey on personal investing, which found that the overwhelming majority of members are adopting the Institutes recommendations, either in toto or with minimal changes appropriate to the members particular circumstances. The Division recently sent the attached response to the Institutes preliminary survey. In its letter the Division states, "We are encouraged by the large number of fund complexes that have indicated that they will adopt all of the recommendations without qualification or with reasonable modification only. We look forward to receiving the more detailed results of the final [Institute] survey in April." The Divisions letter also responded to the discussion in the Institutes preliminary report of two interpretive issues, raised by the Divisions September 1994 report concerning the personal investing activities of 30 fund complexes. First, the Divisions letter states, "The staff does indeed recognize distinction made in the [Institutes recommendations] between investment personnel and other access persons and supports the concept of different procedures covering different categories of fund employees." Second, the Institutes preliminary report had noted that the Divisions examination staff has long accepted real-time delivery of brokerage account statements and confirmation statements (which the Institute recommended) as a substitute for the filing of quarterly reports under Rule 17j-1. The Divisions letter states, "We believe that confirmations and account statements prepared by a broker can be used in lieu of quarterly reports to satisfy the reporting requirements of rule 17j-1 so long as those statements contain the information required by, and are submitted to the appropriate entity within the time frame set forth in, subparagraph (c)(2) of the rule." Finally, the Division responded to the Institutes urging that the Commission work with other agencies to achieve a comparable level of regulation applicable to other investment pools. The Divisions letter states, "The Division has discussed this issue with . . . other regulatory authorities on a preliminary basis and anticipates having more formal discussions . . . We will encourage our fellow regulators to conduct a close review of their rules . . . to apply standards comparable to those the Commission has adopted . . ." We will keep you informed of further developments in this regard. Paul Schott Stevens General Counsel Attachment

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