

MEMO# 9368

October 27, 1997

DRAFT LETTER TO U.K. SECURITIES INVESTMENT BOARD REGARDING USE OF INTERNET WEB SITES BY U.S. INVESTMENT COMPANIES

[9368] October 27, 1997 TO: INTERNATIONAL COMMITTEE No. 38-97 ADVERTISING
SUBCOMMITTEE No. 36-97 RE: DRAFT LETTER TO U.K. SECURITIES INVESTMENT BOARD
REGARDING USE OF INTERNET WEB SITES BY U.S. INVESTMENT COMPANIES

Earlier this year, the United Kingdom Securities and Investments Board ("SIB"), the Investment Management Regulatory Organization ("IMRO") and the Securities and Futures Authority issued guidance regarding the use of the Internet by U.K. registered financial firms. The guidance made clear that issuing an investment advertisement in the U.K. that has not been approved by an authorized person is a criminal offense. IMRO also stated that an Internet investment advertisement would be deemed "issued" in the U.K. if it is possible to view the investment advertisement on a computer screen in the U.K. In response to this position adopted by the U.K. securities regulatory authorities, the Institute has drafted a letter which it intends to send to the SIB. The letter requests the SIB's concurrence that, where certain safeguards are in place, U.S. investment companies' Internet activities will not be deemed to violate the advertising or offering rules of the U.K. Financial Services Act of 1986. A draft of this letter is attached. Under this proposal, a U.S. investment company's Internet web site would be subject to safe harbor treatment if the U.S. investment company: (1) includes a standard legend in the web site that the information provided is only intended for persons who are eligible to purchase shares of U.S. registered investment companies; (2) does not include in the web site material that suggests that the fund is being made available to ineligible U.K. persons; and (3) would refuse to respond to requests for information or to accept applications to open accounts from persons in the U.K. except to the extent permitted by U.K. law. If you have comments or questions regarding this letter, please contact Joe Savage (telephone: 202/326-5819 or e-mail: savage@ici.org) no later than Friday, November 7, 1997. Mary S. Podesta Associate Counsel Joseph P. Savage Assistant Counsel Attachment (in .pdf format)