

MEMO# 20501

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ICI Comment Letter on Proposed Canadian Soft Dollar Regulations

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20501] October 20, 2006 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 23-06 INTERNATIONAL MEMBERS No. 27-06 INVESTMENT ADVISER MEMBERS No. 27-06 SEC RULES MEMBERS No. 92-06 RE: ICI COMMENT LETTER ON PROPOSED CANADIAN SOFT DOLLAR REGULATIONS Attached is an Institute comment letter to the Canadian Securities Administrators (CSA) submitted on October 19, 2006. The letter responds to the CSA's proposed National Instrument on the "Use of Client Brokerage Commissions as Payment for Order Execution Services or Research ('Soft Dollar' Arrangements)." The Institute's letter expresses measured support for the proposal, encouraging the CSA to coordinate with the SEC to achieve a measure of consistency in regulatory approaches that will not disadvantage firms that operate in both the U.S. and Canadian markets. The letter also applauds the CSA for providing a level playing field for mutual funds and other investment products by requiring that all investment advisers comply with the provisions of the proposed National Instrument regardless of the type of client account involved. The Institute's letter conditions its support, however, on several important clarifications: • First, that the application of the proposal is limited to those transactions where there are fully disclosed and objectively verifiable brokerage commissions; • Second, that advisers are not required to specifically allocate the benefit of each research service or product received to particular clients; and • Third, that the definition of "client" in the retail mutual fund context refers to the fund itself and not the fund's investors. 2 The letter also questions the detailed disclosure and recordkeeping obligations in the proposal and provides comments on several of the proposed definitions of eligible order execution and research services. Glen S. Guymon Assistant Counsel - International Affairs Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 20501, or call the ICI Library at (202) 326-8304 and request the attachment for memo 20501.