

**MEMO# 16413**

August 5, 2003

## **SEC APPROVES PCAOB ACCOUNTING SUPPORT FEE RULE**

[16413] August 5, 2003 TO: ACCOUNTING/TREASURERS MEMBERS No. 34-03 CLOSED-END INVESTMENT COMPANY MEMBERS No. 67-03 SEC RULES MEMBERS No. 103-03 SMALL FUNDS MEMBERS No. 42-03 UNIT INVESTMENT TRUST MEMBERS No. 28-03 VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 6-03 RE: SEC APPROVES PCAOB ACCOUNTING SUPPORT FEE RULE The SEC recently issued an order approving the Public Company Accounting Oversight Board's proposed rules regarding the calculation and assessment of accounting support fees to fund its operations.<sup>1</sup> The Institute filed a comment letter with the SEC on the PCAOB's proposed rules supporting the decision to assess investment companies accounting support fees at ten percent of the rate paid by operating companies.<sup>2</sup> The Institute's letter recommended that insurance company separate accounts be exempted from the proposed rules so as to avoid charging the same set of assets two accounting support fees (once at the separate account level and once at the underlying fund level). The SEC declined the Institute's request, noting that both the separate account and the underlying fund must issue audited financial statements, and that the PCAOB would oversee both audits. The Institute's letter sought clarification that a "master" fund in a master-feeder arrangement is not an issuer under the proposed rules and would not be subject to an accounting support fee. The Release encourages the PCAOB to consider whether additional guidance on the treatment of master funds is appropriate. We understand that the PCAOB mailed invoices for accounting support fees to issuers on August 4. The PCAOB mailing includes a separate invoice for fees to support the operation of the Financial Accounting Standards Board.<sup>3</sup> The FASB accounting support fee is based on the 1 Securities Exchange Act Release No. 34-48278 (August 1, 2003) (the "Release"). The Release is available at <http://www.sec.gov/rules/pcaob/34-48278.htm>. For a complete description of the PCAOB's accounting support fee rule see ICI Memo No. 15964 (April 29, 2003). 2 See ICI Memo No. 16314 (July 16, 2003). 3 Section 109(e) of the Sarbanes-Oxley Act authorizes the SEC designated accounting standard setting body to collect accounting support fees from issuers to fund its operations. 2 allocation formula contained in the PCAOB rules (i.e., investment company issuers will pay FASB accounting support fees at ten percent of the fee rate paid by operating company issuers). Gregory M. Smith Director - Operations/ Compliance & Fund Accounting