

COMMENT LETTER

April 9, 1999

Comment Letter on SEC Proposed Rules on International Disclosure Standards, April 1999

April 9, 1999

Mr. Jonathan G. Katz
Secretary
US Securities and Exchange Commission
450 Fifth Street, NW
Stop 6-9
Washington, DC 20549

Re: Proposed Rules on International Disclosure Standards
(File No. S7-3-99)

Dear Mr. Katz:

The Investment Company Institute¹ appreciates the opportunity to express its views on the Commission's proposed rulemaking on international disclosure standards and foreign private issuers.² The proposal would revise the disclosure requirements for foreign private issuers by replacing most of the non-financial disclosure requirements of Form 20-F, the basic disclosure document for foreign private issuers, and revise the definition of "foreign private issuer" under the Securities Act of 1933 and the Exchange Act of 1934. The Institute supports the Commission's proposal.

The Institute and its members have a strong interest in measures that might improve the quality and comparability of disclosure around the globe. Based on Institute statistics, US investment companies owned over \$500 billion in foreign securities at the end of 1998.³ Indeed, more than one thousand US investment companies currently specialize in investing outside the US. Accordingly, we strongly support the Commission's work with the International Organization of Securities Commissions (IOSCO) in developing its set of international disclosure standards.⁴ We are particularly pleased that the IOSCO standards do not take a "lowest common denominator" approach but instead seek to ensure a high level of investor protection.

The Institute supports the general approach embodied in the Commission's proposed changes to the disclosure standards for foreign private issuers. In our view, these changes would facilitate cross-border investment without jeopardizing investor protection or

changing the quality of the disclosure that US investors currently receive from foreign private issuers. We therefore recommend adoption of the proposal. In addition, we urge the Commission to work with IOSCO to secure adoption and implementation of the international disclosure standards by all IOSCO members.

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The Institute appreciates the opportunity to comment on the Commission's proposed rulemaking on international disclosure standards and foreign private issuers. If you have any questions, please contact me at (202) 326-5826.

Sincerely,

Mary S. Podesta
Senior Counsel

ENDNOTES

1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 7,470 open-end investment companies ("mutual funds"), 458 closed-end investment companies, and 8 sponsors of unit investment trusts. Its mutual fund members have assets of about \$5.554 trillion, accounting for approximately 95% of total industry assets, and have over 73 million individual shareholders.

2 Release Nos. 33-7637; 34-41014; International Series Release No. 1182.

3 As of December 1998, holdings of foreign issuers by US investment companies included \$445 billion in common stock, \$4 billion in preferred stock, and \$52 billion in taxable debt.

4 International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers (IOSCO, September 1998).

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