IDC Independent Directors Council
Promoting Excellence in Fund Governance

ICI Comments on Point of Sale Disclosure, April 2005

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Washington, DC, April 5, 2005 - The Investment Company Institute has filed a comment letter with the SEC on reproposed point of sale disclosure about the costs and potential conflicts of interest associated with the sale of mutual fund shares through a broker.

ICI's continued support for point of sale disclosure rests upon the SEC's ability to address effectively the many difficult challenges involved. Among other changes, the Institute strongly recommends designating the Internet as the primary medium for point of sale disclosure.

"The Internet is the best way to provide investors with timely and convenient access to the required information," ICI President Paul Schott Stevens said.

Use of the Internet also "will help insure that the new requirements do not have the undesirable effect of creating a burdensome disincentive for brokers to sell mutual funds, as compared to other products that are not subject to similar requirements," Stevens said.

The Institute recommends that the Commission refrain at this time from expanding the scope of the proposal beyond broker costs and conflicts. The Institute encourages the SEC to undertake a wholesale reexamination of the mutual fund disclosure framework as a separate initiative.

The Institute also recommends that the Commission provide appropriate exceptions to the point of sale requirements. Among them should be an exception for funds sold directly to investors because they do not involve the potential conflicts that are at the core of the disclosure requirement.

The Institute urges the SEC to extend the point of sale disclosure requirements to other investments that brokers sell. The Commission should also work with other regulators to extend similar requirements to other distribution channels so that all investors who purchase funds through professional advisers or other intermediaries will have access to similar information.