

ICI Supports SEC Action on Directed Brokerage, Portfolio Manager Disclosures, August 2004

ICI Supports SEC Action on Directed Brokerage, Portfolio Manager Disclosures

New Rules Ensure Shareholders' Interests Are Paramount

Washington, DC, August 18, 2004 – The Investment Company Institute voiced its strong support for rules adopted today by the SEC to eliminate directed brokerage and improve the disclosure of information to investors on portfolio manager compensation.

Paul Schott Stevens, President of ICI said, “The SEC has moved quickly to develop sound regulatory reforms for America’s mutual funds and shareholders. Eliminating directed brokerage further advances efforts to ensure shareholders’ best interests are protected.” The Institute, which [called for this reform in December 2003](#), said the elimination of directed brokerage is a “milestone that will benefit fund investors and strengthen the operating integrity of mutual funds.”

The SEC’s ruling will prohibit the practice of directed brokerage, which allows mutual fund investment advisers to take into account sales of fund shares in selecting a broker-dealer to execute transactions in portfolio securities. Although directed brokerage is strictly regulated under existing rules, the practice could create potential conflicts of interest.

The SEC’s ruling to require prospectus disclosure about portfolio management team members, including information about other accounts managed by the portfolio managers, the ownership of securities in the fund and the compensation structure of the portfolio manager, will increase the transparency of fund operations. “The portfolio manager disclosure rule will provide investors with useful additional information about a fund’s management team, while balancing legitimate privacy concerns,” Stevens said.

Copyright © by the 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.