



Securities Industry Association

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February 14, 2003

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549

Re: Commission Proposals Regarding Disclosure of Portfolio Holdings and
Fees of Registered Investment Companies (Release No. IC-25870, File
No. S7-51-02)

Dear Mr. Katz:

The Investment Company Committee of the Securities Industry Association (“SIA”)¹ is pleased to offer comments on the portion of the above-referenced proposals relating to disclosure of fund operating expenses. In doing so, we supplement comments contained in a prior submission to the Commission.² Under the Commission’s proposal a fund would, among other things, be required to disclose in its shareholder reports the cost in dollars of the fund’s actual expenses per \$10,000 of investment in the fund for the applicable reporting period. In taking this approach, the Commission elected not to

¹ The Securities Industry Association brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. Collectively they employ more than 495,000 individuals, representing 97 percent of total employment in securities brokers and dealers. The U.S. securities industry manages the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2001, the industry generated \$280 billion in U.S. revenue and \$383 billion in global revenues. (More information about SIA is available on its home page: www.sia.com.)

² See letter from Colette D. Kimbrough, Chair, SIA Investment Company Committee to Paul F. Roye, Director, SEC Division of Investment Management, “GAO Report Concerning Dollar Specific Disclosure of Mutual Fund Fees”(December 7, 2000).

follow a General Accounting Office (“GAO”) recommendation³ that would have required individualized disclosure in account statements of the exact dollar amount of mutual fund fees paid by each shareholder during the reporting period, based on actual amounts invested in the fund. In reaching its conclusion as to the appropriate approach, the Commission stated that:

“...While some have advocated that this information should be provided on an individualized basis in shareholder account statements, our proposals are intended to strike an appropriate balance between investors need for this information and the costs and burdens that would be associated with providing this information on an individualized basis...”⁴

We believe that the Commission reached the right conclusion in this instance. The proposed expense disclosure, which is based on a standardized investment amount, will best achieve the goal of enabling investors to make informed judgments regarding expenses incurred among comparable funds.

In particular, the Commission’s latest proposal provides a “context” for making such a comparison, something not present in the GAO’s individualized, dollar-specific recommendation. Thus, rather than viewing the SEC proposal as a balancing, or compromise, between investor needs and the cost of providing individualized disclosure, we see it as the most appropriate way to provide investors with meaningful expense disclosure. It is also an approach that avoids undue complexities and costs.

We appreciate the opportunity to comment. If you have any questions regarding this letter or our prior submission regarding the GAO report, please contact Michael D. Udoff of SIA at 212-618-0509.

Very truly yours,

Stuart R. Strachan
Chair
SIA Investment Company Committee

³ See U.S. General Accounting Office Report to the Chairman, Subcommittee on Finance and Hazardous Materials, and the Ranking Member, Committee on Commerce, House of Representatives, entitled “Mutual Fund Fees: Additional Disclosure Could Encourage Price Competition” (June 2000).

⁴ Proposing Release at 16-17.