

Letter Recommending Improvements to Industry Regulation, May 2002

May 1, 2002

Mr. Paul F. Roye
Director
Division of Investment Management
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Dear Mr. Roye:

In connection with the Commission's plans to undertake a comprehensive review of its regulations, the Institute is pleased to submit the attached [package of proposals](#) to improve investment company regulation. As we continue to examine investment company regulatory issues, we may submit additional proposals in the future.

The Institute strongly believes that the Investment Company Act of 1940 continues to work well in the interests of both investors and industry. Nevertheless, there are certain regulatory changes that the Commission should consider that would benefit all parties.

The Institute's proposals include a number of recommendations that we have previously submitted to the SEC, as well as many new ones. They cover a wide range of issues, including affiliated transactions, shareholder communications, variable insurance products, various other rules under the Investment Company Act and investment adviser advertising. The proposals would codify various positions that the Division has taken through the no-action and exemptive process; clarify various regulatory issues; eliminate regulatory burdens; and modernize certain requirements to reflect current market conditions and investment company practices.

One of the more significant proposals in our package addresses the restrictions on affiliated transactions. We have previously recommended that the Commission undertake regulatory action pursuant to its broad grant of authority under the Investment Company Act to eliminate restrictions on transactions that do not raise the potential for abuses that the restrictions were designed to address. We are pleased that yesterday, the Commission proposed rule amendments and a new rule under the Act to permit funds to engage in certain transactions involving either affiliated portfolio companies or affiliated subadvisers. While we have not yet seen the actual proposals, they appear to be consistent with our recommendations.

The Institute looks forward to working with you and your staff on these proposals. If you have any questions about them, you may contact me at 202/326-5815, Amy Lancellotta at 202/326-5824 or Frances Stadler at 202/326-5822.

Sincerely,

Craig S. Tyle
General Counsel

cc: The Honorable Harvey L. Pitt, Chairman
The Honorable Isaac C. Hunt, Jr., Commissioner
The Honorable Cynthia A. Glassman, Commissioner

Cynthia M. Fornelli, Deputy Director
Division of Investment Management

Securities and Exchange Commission

not constitute, and should not be considered a substitute for, legal advice.