



## At Press Time

# Fink Explains ICI Stand On Curbing Soft Dollars

The Investment Company Institute last week cleared up why in December it called for an end to purchasing independent research with soft dollars but was willing to see selling brokers continue to provide research paid for with advisers' commissions. ICI President Matthew Fink told a telephone press conference last week that the trade group had decided to "take this in two stages"—with stage two being the full abolition of soft dollars.

Independent research firms have reacted strongly against the ICI proposal, made in a letter to Securities and Exchange Commission Chairman William Donaldson. They pointed out that the effect of it would be to drive all the research activity over to the big brokerage firms. Fink gave two reasons for cutting back soft dollars in two stages. First, he noted that originally independent research was not permitted to be paid for with soft dollars. The ICI president said after that was permitted, in 1986, is when "most of the abuses" of using soft dollars appeared. Fink also noted that the SEC could eliminate payment for independent research with soft dollars by its own administrative action. To fully end soft dollars would take an act of Congress to repeal the Section 28e safe harbor—a much more difficult change to bring about.

## Intermediaries Urged To Tell Who Uses Omnibus Accounts

The new consumer lobby, the Coalition of Mutual Fund Investors (CMFI), has come up with a radical solution to such problems as missing breakpoints and market timing—make fund intermediaries using omnibus accounts disclose to funds each individual on the other side of fund share purchases or redemptions. If the veil of the omnibus account were pierced to this extent, CMFI contended in a recently released letter to Securities and Exchange Commission Chairman William Donaldson, funds would be better placed to ensure uniform application of its policies, procedures, fees and charges for all of its shareholders. The letter was signed by Neils Holch, CMFI's executive director.

In the case of breakpoints, the letter contended, intermediaries gain if fund shareholders are overcharged and the intermediaries lack the information to implement fund policy on breakpoints. Currently funds do not have access to transaction information. Meanwhile, the use of omnibus accounts by intermediaries "has," in CMFI's view, "made it impossible for a fund to implement its market timing policies and impose its redemption fees in a uniform manner." More disclosure of fund policies or "after the fact audits," are not going to be enough, the letter said. It recommended that not only should personal information on fund customers be disclosed to funds but in addition "the fund intermediary also should be required to disclose the amount and timing of all purchases, redemptions, transfers and exchanges for each shareholder."

Separately, the NASD on Dec. 23 issued a "written disclosure statement" which NASD and an industry working group have developed for brokers to give investors when they buy fund shares. This is part of a joint effort that began last summer to ensure that investors get the breakpoint discounts they are entitled to under the breakpoint plans set up by fund groups.

## fund action

The mutual fund news report that sparks ideas

### EDITORIAL

TOM LAMONT  
Editor

STEVE MURRAY  
Deputy Editor

WENDY CONNETT  
Executive Editor  
(212) 224-3979

JESSICA TOONKEL  
Managing Editor  
(212) 224-3613

JULIE SEGAL  
Senior Reporter  
(973) 783-4600  
E-mail: jsegal2@comcast.net

APRIL KABAHAR  
Reporter  
(212) 224-3626

ARADHNA DAYAL  
Hong Kong Bureau Chief  
(852) 2912-8009

VICTOR KREMER  
London Bureau Chief  
(44-20) 7303-1748

STANLEY WILSON  
Washington Bureau Chief  
(202) 393-0728

ROCHELLE BRETON  
Editorial Assistant

JANA BRENNING, KIERON BLACK  
Sketch Artists

### PRODUCTION

DANY PEÑA  
Director

LYNETTE STOCK, DEBORAH ZAKEN  
Managers

MICHELLE TOM, ILIJA MILADINOV,  
MELISSA ENSMINGER  
Associates

JENNY LO  
Senior Web Production Designer

TIMOTHY O'SHAUGHNESSY  
Web Production Designer

MARIA JODICE  
Advertising Production Manager  
(212) 224-3267

### ADVERTISING

MIKE McCAFFERY  
Publisher, Director of Advertising Sales  
(212) 224-3534  
mccaaffery@inews.com

NAZNEEN KANGA  
Publisher  
(212) 224-3005  
nkanga@inews.com

PAT BERTUCCI, MAGGIE DIAZ,  
KRISTIN HEBERT, TAMERA WARD  
Associate Publishers

LADAN ASKARI  
Marketing Director

JENNIFER FIGUEROA  
Media Kits  
(212) 224-3895

### PUBLISHING

GUY A. CROSSLEY  
Group Publisher

ELAYNE GLICK  
Director of Marketing & Circulation  
(212) 224-3069

ANTHONY DeROJAS  
Marketing Manager  
(212) 224-3009

MEREDITH SHELLEY  
Renewals Manager  
(212) 224-3096

### INDIVIDUAL SUBSCRIPTIONS

One year - \$2,475 (in Canada add \$30 postage, others outside U.S. add \$75).

JOE MATTIELLO  
Director of Sales  
(212) 224-3457

MICHAEL SAUNDERS  
Account Executive [New York]  
(212) 224-3529

TOM GANNAGE-STEWART  
Account Executive [London]  
(44-20) 7779-8036

ADI HELLER  
Account Executive [Hong Kong]  
(852) 2842-6929

### GROUP SUBSCRIPTIONS/ ELECTRONIC LICENSES

DAN LALOR  
Director  
(212) 224-3045

### REPRINTS

AJANI MALIK  
Reprints Manager  
(212) 224-3205  
amalik@investor.net

### CORPORATE

CHRISTOPHER BROWN  
Chief Executive Officer

DAVID E. ANTIN  
Director of Finance and Operations

ROBERT TONCHUK  
Fulfillment Director

Customer Service: PO Box 5016,  
Brentwood, TN 37024-5016  
Tel: 1-800-715-9195 Fax: 1-615-377-0525  
UK: 44 20 7779 8704  
Hong Kong: 852 2842 6950  
E-mail: customerservice@inews.com

Editorial Offices: 225 Park Avenue  
South, New York, NY 10003.  
Tel: 1-212-224-3613  
Email: jtoonkel@inews.com

Fund Action is a general circulation  
newsweekly. No statement in this issue is  
to be construed as a recommendation to  
buy or sell securities or to provide  
investment advice.

Fund Action ©2004 Institutional  
Investor, Inc.

Copying prohibited without the  
permission of the Publisher.

Institutional  
Investor NEWS

INTELLIGENCE FIRST