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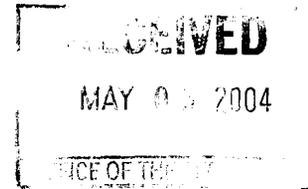
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April 16, 2004

The Honorable William H. Donaldson  
Chairman  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549



Dear Chairman Donaldson:

I am writing to you on behalf of Dow Jones & Company, Inc. Dow Jones is a leading publisher of financial news and information. Its publications include, among others, *The Wall Street Journal*, *Barron's*, and the real-time news services from its Dow Jones Newswires division. Dow Jones is the premier source of independent financial news for investment professionals.

As you know, the Investment Company Institute, after a divided vote, asked the Commission in a December 16, 2003 Comment Letter to bar use of soft dollars for a variety of third-party products and services, including financial research and news.

Dow Jones strongly believes that prohibiting the use of soft dollars to pay for third-party research and news would do nothing to protect investors from the potential for abusive commission practices, but it would, ironically, greatly restrict the availability of independent research and news at a time when the kinds of potential conflicts inherent in the research services provided by investment banks has come under increased regulatory scrutiny.

The question whether soft dollar arrangements are or can be abused to the detriment of investors and markets is certainly an appropriate one to ask. The provision of some kinds of services in exchange for soft dollars may provide the potential for abuse if the services provided do not directly benefit investors, or if there is inadequate accountability because the transactional value of such services is not ascertainable through an audit. Neither of these bases for potential abuse, however, suggests there is any significant risk in the case of third-party financial research and news services.

The benefit to investors and markets of financial research and news services is beyond question. The independence of the source of such information services is also understood to be critical to the benefit that such services provide. For example, as an integral part of the mutual fund industry settlement with the New York

State Attorney General's office, the large investment banks being investigated were *required* by the Attorney General to provide their clients with independent third-party research services, in addition to their own proprietary services, in exchange for the commissions they charged their clients. This state-prescribed remedy of using commission payments to cover the cost of independent services is equivalent to the "soft-dollar" arrangements offered by banks that do not have their own information services: the very arrangements the ICI proposes to eliminate.

Moreover, the transactional value of soft-dollared independent research and news services (unlike that of proprietary services) is market-driven and readily ascertainable in each case. It is negotiated on an arms-length basis and set out in agreements and invoices. In a 1998 report, this Commission found no significant abuse of soft dollar arrangements. Certainly with respect to independent financial research and news, there could be no reason to assume any abusive practices have arisen since then. Due to the nature of the arrangements for such services, the potential for any such abuse is negligible.

The proposal to bar use of soft dollars for independent research and news would substantially restrict the availability of such services to the detriment of the investing public. This is because nothing in the proposal would prohibit investment managers from continuing to use the commissions they pay to investment banks—which come directly out of the fund's assets—to cover the investment banks' own proprietary research and news services. Only third-party research and news would carry an expense outside of the commission payment, and thus it is likely that only the larger investment managers would be able to afford such an expense (and still compete on an expense-ratio basis).

Finally, it is also difficult to see how it would be Constitutional for the Commission to adopt a regulation that effectively favors one class of speaker, the large investment banks that produce their own research that they will be free to provide to clients in exchange for commission payments, over competing, smaller speakers who cannot afford to produce their own research and so instead would provide independent research and news products to their customers. The First Amendment requires that any regulation on speech must be intended to advance a legitimate government interest, and be effective in advancing that interest. The proposed distinction between large banks and smaller firms would not seem capable of surviving even the mildest scrutiny under this test.

At a time of heightened regulatory concern over the conflicts of interest inherent in the proprietary research services offered by investment banks, and the harm such conflicts can cause to investors and to public confidence in financial markets generally, it is ironic that the SEC should be asked to adopt a proposal that would have the effect of substantially restricting the availability of independent research and news, the most important source of accurate, credible, unbiased market information. As applied to third-party research and news, the ICI proposal identifies a problem that does not exist

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and proposes a solution that would harm the markets and the investing public and unjustifiably discriminate against providers of news and research from independent sources.

For these reasons, Dow Jones urges the Commission to reject the Investment Company Institute's proposed soft-dollar ban insofar as it would prohibit the use of soft dollars to pay for independent research and news.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "C. J. ...", written in a cursive style.