

MEMORANDUM

April 15, 2004

TO: File No. S7-12-04

FROM: Sanjay Lamba
Office of Disclosure Regulation
Division of Investment Management

RE: Disclosure Regarding Portfolio Managers of Registered Management Investment Companies – Release No. IC-26383

On April 6, 2004, Susan Nash, Associate Director of the Division of Investment Management, Paul G. Cellupica, Assistant Director of the Division of Investment Management, Sanjay Lamba, staff attorney in the Division of Investment Management and various staff members of the Division of Market Regulation met with the following representatives of the Asset Managers Forum (“AMF”) COO Group, an affiliate of The Bond Market Association:

- Stephen C. Francis, Fischer Francis Trees and Watts
- Thomas P. Hirschfeld, J & W Seligman & Co.
- Robin Meister, Fischer Francis Trees and Watts
- Lee Pickard, Pickard & Djinis
- Joseph Sack, The Asset Managers Forum, The Bond Market Association
- Tom Sorbo, Standish Mellon
- Douglas Taggart, The Asset Managers Forum, The Bond Market Association
- Michael Wyne, Fischer Francis Trees and Watts

The representatives of the AMF COO Group made the following comments, among others, regarding the above-referenced rule proposal:

1. Identification of Portfolio Management Team Members: The SEC should require identification and disclosure only with respect to lead members of a portfolio management team as opposed to all of the members of the team. Some of the reasons given were that: (1) the team leader is responsible for making final decisions for the team; (2) the composition of portfolio management teams is generally fluid in nature and may be subject to frequent turnover; (3) requiring identification of each team member may hinder management’s flexibility in making changes to the composition of the team (*e.g.*, adding or removing securities analysts); (4) the costs associated with requiring disclosure with respect to all members of the team would be high relative to the potential benefit to investors of such disclosure; and (5) the potential of losing talented team members would increase if each member of a team were openly identified to competitors.

2. Disclosure Regarding Other Accounts Managed and Potential Conflicts of Interest: The AMF COO Group was generally supportive of the proposed disclosure requirement, but noted that with respect to the proposed disclosure requirement regarding potential conflicts of interest that may arise in connection with managing a fund and managing other accounts, the SEC should provide further guidance as to the types of conflicts that would be required to be disclosed. The AMF COO Group also opposed any prohibition on side-by-side management of mutual funds and hedge funds.
3. Disclosure of Portfolio Manager Compensation Structure: The AMF COO Group was generally supportive of the proposal to require a fund to provide disclosure regarding the structure of, and the method used to determine, the compensation of portfolio managers.
4. Disclosure of Securities Ownership of Portfolio Managers: The AMF COO Group is concerned that the disclosure requirements as currently proposed would provide investors with an incomplete or inaccurate picture regarding a portfolio manager's personal investment strategy and confidence in the fund's strategy (*e.g.*, for younger managers, their largest asset is the stream of future earnings from managing the fund, which would not be reflected in the proposed disclosure). The AMF COO Group would prefer requiring disclosure of the policies and procedures in place with respect to the securities ownership of portfolio managers.

The AMF COO Group stated that they intend to provide details regarding their comments in a comment letter.