

MEMORANDUM

August 10, 2004

TO: File No. S7-12-04

FROM: Christopher Kaiser
Office of Disclosure Regulation
Division of Investment Management

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

On August 6, 2004, Susan Nash, Associate Director of the Division of Investment Management, Paul G. Cellupica, Assistant Director of the Division of Investment Management, and Christopher Kaiser, Branch Chief in the Division of Investment Management participated in a telephone call with the following persons representing Wellington Management Company LLP (“Wellington”): Sara Sherman, Wellington Vice President and Counsel; Matt Megargel, Wellington Portfolio Manager; Mark Mandel, Wellington Director of Global Industries Analysts; and two consultants, Peter Rich and Mitchell Feuer. The call was made at Wellington’s request, to discuss certain comments made by Wellington in its comment letter dated May 21, 2004 on the above-referenced proposal.

The staff and representatives of Wellington discussed issues relating to the proposed disclosure requirement regarding portfolio manager ownership of securities and the impact of the proposals on “research-driven” funds. In particular, Mr. Megargel stated that while Wellington portfolio managers were comfortable with the goal of providing disclosure regarding portfolio managers’ securities ownership in a fund that they manage, they were concerned about the broader scope of the proposed rules. He noted that trading in individual stocks by portfolio managers at Wellington is highly restricted, so that as a result portfolio managers tend to be heavily invested in Wellington funds, rather than individual stocks. He claimed that the broad scope of the proposed disclosure of securities ownership would effectively require disclosure of most of a manager’s net worth, in many cases, and would infringe managers’ privacy. He also argued that this disclosure would be lengthy and would not benefit fund shareholders.

Mr. Mandel noted that the proposal for disclosure of securities ownership could discourage portfolio managers from holding shares in funds that would be subject to the reporting requirement or could cause managers to stop managing mutual funds. In addition, he stated that the proposal could be burdensome for research-driven funds, particularly with regard to ownership disclosure, because these funds may have a large number of individuals who would be required to be identified as portfolio managers. Finally, in response to questions from Division staff, the Wellington representatives discussed the management of research-driven funds and the oversight role of portfolio coordinators in such funds.