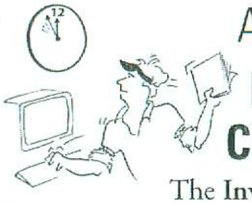

At Press Time

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

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