


MEMORANDUM

August 10, 1998

TO: Chairman Levitt
FROM: Barry Barbash 
SUBJECT: Subdelegation of Authority

We recommend that the Division of Investment Management's Designation of Personnel to Perform Delegated Functions be amended as reflected in the attached Designation. Listed below are the substantive changes between the proposed new Designation and the current Designation, which became effective on January 1, 1998. The changes are requested to reflect organizational changes within the Division.

- 1 We have added a reference to the new Senior Assistant Director position.
- 2 We have added a reference to the new Special Counsel to the Associate Director (Public Utility and Investment Company Regulation) position.
- 3 We have deleted the reference to the Chief Counsel. The Chief Counsel is also an Associate Director. Associate Directors are designated to perform all functions delegated to the Director.

Attachment

cc: Jennifer Scardino

**DESIGNATION OF PERSONNEL TO PERFORM DELEGATED FUNCTIONS
DIVISION OF INVESTMENT MANAGEMENT**

Pursuant to Public Law 87-592, 76 Stat. 394, and Article 30-5 of the Commission's Statement of Organization; Conduct and Ethics; Information and Requests [17 CFR 200.30-5], persons in the Division of Investment Management (the "Division") named to serve in each of the positions specified below, whether on an acting or permanent basis, are designated to perform, under the direction of the Division Director, the functions delegated in the specified paragraphs of Article 30-5, as in effect September 15, 1998, or as thereafter amended, and to continue to perform such functions until this Designation is amended or rescinded. This Designation is effective September 15, 1998, and all previous Designations are rescinded as of that date.

Associate Directors and Senior Assistant Director

All paragraphs of Article 30-5.

Assistant Director and Branch Chiefs, Office of Investment Company Regulation

Paragraphs (a)(1), (a)(2), (a)(3), (a)(6), (a)(8), (b-1), (d), and (e)(3) through (e)(5) of Article 30-5.

Assistant Director, Office of Disclosure and Review, and Senior Special Counsel to the Associate Director for Legal and Disclosure

Paragraphs (a)(4) through (a)(6), (b), (b-2), (b-3), (b-4), (b-5), (c), (d), (h), and (i) of Article 30-5.

Branch Chiefs, Office of Disclosure and Review

Paragraphs (a)(4), (c)(3), and (c)(4) of Article 30-5 and, through paragraph (b) of Article 30-5, paragraphs (a)(1), (a)(2), (a)(4), (a)(5), (a)(8), (f)(2) (solely with respect to the authority to extend the time for filing forms), (f)(4), and (f)(5) of Article 30-1.

Chief Accountant, Office of Chief Accountant

Paragraphs (a)(4) through (a)(6), (b), (b-2), (b-3), (b-4), (b-5), (c), (d), (h), and (i) of Article 30-5.

Assistant Chief Accountants, Office of Chief Accountant

Paragraphs (a)(4) of Article 30-5 and, through paragraph (b) of Article 30-5, paragraphs (a)(6), (a)(8), and (f)(2) of Article 30-1.

Assistant Chief Counsels and Senior Special Counsel, Office of Chief Counsel

Paragraphs (c-1) and (e)(6) of Article 30-5.

Special Counsels and Attorney-Advisers, Office of Chief Counsel

Paragraph (c-1) of Article 30-5.

Assistant Director, Office of Insurance Products

Paragraphs (a), (b), (b-1), (b-2), (b-3), (b-4), (b-5), (c), (d), (e)(3) through (e)(6), (h), and (i) of Article 30-5.

Chief Financial Analyst and Branch Chiefs, Office of Insurance Products

Paragraphs (a)(4) and (c)(4) of Article 30-5 and, through paragraph (b) of Article 30-5, paragraphs (a)(1), (a)(2), (a)(4), (a)(5), (a)(8), (f)(2) (solely with respect to the authority to extend the time for filing forms), (f)(4), and (f)(5) of Article 30-1.

Branch Chiefs, Office of Insurance Products

Paragraphs (a)(1), (a)(2), (a)(3), (a)(6), (a)(8), (b-1), and (e)(3) through (e)(5) of Article 30-5 and, through paragraph (b) of Article 30-5, paragraph (f)(7) of Article 30-1.

Assistant Director, Office of Public Utility Regulation

Paragraphs (f), (g), (j), and (k) of Article 30-5.

Branch Chiefs, Senior Special Counsels, and Special Counsels, Office of Public Utility Regulation; Special Counsel to the Associate Director (Public Utility and Investment Company Regulation)


Paragraphs (f)(1) through (f)(6), (f)(8), and (g) of Article 30-5.

Special Counsels, Task Force on Investment Adviser Regulation

Paragraphs (e)(3) through (e)(5) of Article 30-5.

These functions may be subdelegated by the Director.

8/17/98
Date



Arthur Levitt
Chairman

Charles Schwab

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August 5, 1998

The Honorable Arthur Levitt, Jr.
Chairman
The U.S. Securities and Exchange Commission
450 Fifth St. NW
Washington, DC 20549

Dear Chairman Levitt:

As you know, Charles Schwab was an innovator in making available to investors a wide range of no-load, no-transaction-fee mutual funds through its Mutual Fund OneSource® program. Currently, some 994 mutual funds from 143 fund families participate in OneSource. As of June 30, 1998, customer assets invested in OneSource funds exceeded \$69 billion. Similar fund marketplaces are now sponsored or under development by Fidelity, Jack White, Dreyfus, Scudder, T. Rowe Price, and American Century, among others. In a short time, these programs have become a major channel for purchase of mutual fund shares.

Several years ago, the Commission staff undertook an extensive review of the way OneSource and similar programs operate. The review was designed to yield in-depth information about how funds participate in these programs, what services they receive and how they treat the fees associated with them. In view of the fact that fund supermarkets are a novel concept and have come to serve a large and growing number of fund investors, Barry Barbash informed the industry that the staff would communicate the results of its review, when completed, in a letter to the ICI. While we understand that the staff's review was concluded some time ago, the promised guidance has not been forthcoming.

We believe it is highly desirable that the staff issue such guidance outlining the factual considerations and legal principles that should govern a fund's participation in OneSource or similar programs. Such guidance will, among other things, help clarify the legal issues and assure continued adherence to high standards as these programs grow in number and popularity. Because of the importance of this matter to Schwab and to the many fund families that are part of Mutual Fund OneSource, I am writing to bring this matter to your attention in the hope that the staff's guidance might be issued as soon as possible.

Thank you for your attention to this matter. Should you or your staff require further information in this regard, please do not hesitate to contact me, or John McGonigle who heads our third-party mutual fund business at (415) 403-5703, or Paul Stevens of our legal staff at (415) 636-1210.

Sincerely,



cc: Barry Barbash
Division of Investment Management
U.S. Securities and Exchange Commission

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