The Honorable Richard C. Breeden  
Chairman  
Securities and Exchange Commission  
450 Fifth Street, N. W.  
Washington, D. C. 20549  

Dear Chairman Breeden:

This is to acknowledge receipt of your letter and 34-page report of September 10, 1990 in response to my request for the views of the Commission on a proposal by Fidelity Management & Research Company to amend section 11(a) of the Securities Exchange Act of 1934.

The report recommends that the Commission support elimination of the managed account provision of section 11(a) provided that the legislation also gives the Commission rulemaking authority to retain the managed account authorization and compensation disclosure requirements. The report concludes that elimination of the managed account provision would reduce "to some extent" the transaction costs for member firms in effecting orders for managed accounts (p. 26) and would reduce "somewhat" the administrative and compliance burdens for money managers (p. 27). The use of brokerage commissions to pay for investment research services, concerns about fiduciary duties and best execution of customer orders, all issues discussed in your report, are the focus of Congressional and Commission inquiries in the context of hard and soft dollar payments and exchange inducements for order flow. Moreover, your report notes "the likelihood that managed account orders would receive special treatment at execution" and "the potential for a much more significant conflict of interest, that of broker-dealers trading ahead of their customer orders to benefit from price effects" (p. 30).

Given the above, I believe it would be inappropriate to grant the exemption sought by Fidelity in the waning hours of this Congress without the benefit of hearings and the appropriate mark-ups in this Committee. I respectfully request that the Commission
The Honorable Richard C. Breeden  
October 9, 1990  
Page 2  

cooperate with our Subcommittee on Telecommunications and Finance in the next Congress to frame the appropriate legislative hearings and to draft an appropriate amendment to address the concerns raised by your report and the potential amendment of section 11(a).

Thank you for your cooperation with this request and I appreciate the Commission's thorough report.

Sincerely,

[Signature]

JOHN D. DINGELL  
CHAIRMAN  

cc: The Honorable Norman F. Lent  
The Honorable Edward J. Markey  
The Honorable Matthew J. Rinaldo  
Senate Committee on Banking, Housing and Urban Affairs