

MEMO# 23075

November 19, 2008

SEC Adopts "Summary Prospectus" Rule and Related Amendments to Form N-1A

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 18-08
BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 37-08
BOARD OF GOVERNORS No. 14-08
BROKER/DEALER ADVISORY COMMITTEE No. 43-08
ETF ADVISORY COMMITTEE No. 35-08
INVESTMENT COMPANY DIRECTORS No. 25-08
OPERATIONS COMMITTEE No. 21-08
SEC RULES COMMITTEE No. 82-08
SMALL FUNDS COMMITTEE No. 30-08
TECHNOLOGY COMMITTEE No. 32-08
TRANSFER AGENT ADVISORY COMMITTEE No. 68-08 RE: SEC ADOPTS "SUMMARY PROSPECTUS" RULE AND RELATED AMENDMENTS TO FORM N-1A

We are pleased to announce that on November 19, 2008, the Securities and Exchange Commission adopted rule amendments that permit open-end management investment companies to provide investors with a "summary prospectus," containing key information about a fund, while making more information available on the Internet and in paper upon request. The amendments also require a summary section for each fund at the front of the fund's statutory prospectus. As you know, the Institute strongly supported the rule proposal.

The Commission has not yet published the final rule release, so we have not had the opportunity to review the final rule in detail. Based on the SEC staff's presentation at the open meeting, however, we understand the following about the final rule:

- Funds electing to use a summary prospectus will not be required to update certain elements quarterly, as had been proposed. Rather, the summary prospectus will be

updated on an annual basis, and will contain a legend directing investors how to find more recently updated information.

- The summary prospectus will not contain the fund's top ten portfolio holdings.
- A summary prospectus may not contain information on multiple funds. However, the summary section of a multiple fund statutory prospectus can combine information that is identical for all of the included funds (e.g., investment adviser, purchase/sale information, tax disclosures, etc.).
- The rule amendments will be effective as of February 28, 2009. The changes to filings on Form N-1A are required for all such filings made on or after January 1, 2010. A fund that wishes to use a summary prospectus after the effective date must comply with the changes to Form N-1A (even if it has not reached its required compliance date).
- The amendments to Form N-1A include at least two changes that were proposed as part of the Commission's exchange-traded fund (ETF) rule proposal: (1) ETFs will be required to modify the narrative explanation of the fee table to state that fund shares are sold on a national securities exchange, and that brokerage commissions for buying and selling fund shares are not reflected; and (2) if the ETF issues or redeems shares in creation units of not less than 25,000 shares, it may exclude from the fee table any fees charged for the purchase and redemption of the fund's creation units.

We will provide a more detailed summary of the rule amendments once we've had the opportunity to review the Commission's adopting release.

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