

**MEMO# 7423**

November 15, 1995

# **INSTITUTE PROPOSALS TO IMPROVE REGULATION OF INVESTMENT COMPANY ADVERTISING**

November 15, 1995 TO: SEC RULES COMMITTEE No. 120-95 SUBCOMMITTEE ON  
ADVERTISING No. 24-95 RE: INSTITUTE PROPOSALS TO IMPROVE REGULATION OF  
INVESTMENT COMPANY ADVERTISING

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In July, the Institute submitted a set of recommendations to the Division of Investment Management to implement a variety of significant improvements in investment company regulation. The Institute recently submitted a supplemental set of recommendations for Commission action to improve the regulation of investment company advertising. A copy of our supplemental submission is attached. The Institutes latest recommendations would broaden the types of information that may be included in sales material under Rule 134 of the Securities Act of 1933 to permit: the use of pictorial illustrations and narrative descriptions of the effects of tax-free compounding, historical market performance, and similar economic information; a description of the total assets that an investment companys adviser manages, including non-investment company assets under management; information concerning an investment companys size and capabilities, such as a description of the number of shareholders accounts of the investment company and the number of research analysts or other key advisory personnel who have been retained on behalf of the investment company; and references to a toll-free telephone number or other source of information concerning an investment companys performance. The Institutes submission also recommends that the Commission amend Rule 482 under the Securities Act to provide investment companies with a grace period in which they may update total return information contained in stand-alone sales material. Finally, the submission recommends amendments to Rule 135a under the Securities Act to permit references to an investment company family. Thomas M. Selman Associate Counsel Attachment

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