

**MEMO# 1613**

December 22, 1989

## **LETTER TO SEC CONCERNING LENGTH OF PROSPECTUSES PROSPECTUSES**

December 27, 1989 TO: BOARD OF GOVERNORS NO. 78-89 SEC RULES MEMBERS NO. 74-89  
RE: LETTER TO SEC CONCERNING LENGTH OF PROSPECTUSES

\_\_\_\_\_ As you know, the SEC has proposed an amendment to the registration statement for closed-end funds requiring disclosure of fund portfolio managers. The Institute submitted a comment letter opposing the proposal except in certain circumstances. At the recent SEC/ICI Procedures Conference, Matt Fink, in his introductory remarks, briefly addressed the portfolio manager proposal specifically but then expressed a much broader concern which was raised by the proposal. His concern was over what he termed "disclosure creep," i.e., the increasing number of disclosure requirements being added to a fund's prospectus by the Commission and the staff. Those additional requirements have, in the aggregate, substantially increased the length of fund prospectuses and undercut the concept of the simplified prospectus. Last Thursday, the SEC approved for public comment amendments to the mutual fund registration statement which would, among other things, require disclosure of mutual fund portfolio managers. (The release proposing this requirement has not yet been issued.) In view of this proposal, the Institute submitted the attached letter to Chairman Breeden reiterating our concern about "disclosure creep" and proposing a solution to the problem, which would be to adopt an approach akin to "zero-based budgeting." This approach would require that every time the Commission or the staff proposes a new disclosure item, a second proposal also be made to delete or pare down an existing requirement. We will keep you advised of developments in this area. Amy B. Rosenblum Assistant General Counsel  
Attachment