

MEMO# 3232

October 29, 1991

NASAA PASSES RESOLUTION IN OPPOSITION TO THE BLUE CHIP EXEMPTION

October 29, 1991 TO: BOARD OF GOVERNORS NO. 82-91 STATE SECURITIES MEMBERS NO. 49-91 UNIT INVESTMENT TRUST MEMBERS NO. 52-91 CONTRACTUAL PLANS COMMITTEE NO. 18-91 RE: NASAA PASSES RESOLUTION IN OPPOSITION TO THE BLUE CHIP EXEMPTION

At the 1991 NASAA Fall Conference, members of NASAA passed the attached resolution which expresses NASAA's opposition to the blue chip exemption from registration for qualified mutual funds and unit trusts and "strongly encourages" those members of NASAA that have adopted the blue chip exemption to reexamine it. The resolution was passed without notice to the Institute or the investment company industry. According to NASAA, the blue chip exemption is so broad that states adopting such "would not be able to effectively implement regulatory policies designed to protect investment company investors." The resolution further cites as a basis for this sudden action that the NASAA Investment Company Registration/Trading Practices Committee has identified certain areas of concern regarding the investment company industry, i.e., periodic payment plans, the non-availability of the Statement of Additional Information, the "'drift' of material information from prospectuses to the SAI", and the use by some investment companies of misleading names. The Institute has contacted the President of NASAA to express its concern not only with the rationale to justify the resolution but also over the secretive manner with which the resolution was introduced and passed by NASAA. The Institute has requested a meeting with the President of NASAA to discuss this matter. We will keep you advised of further developments. Patricia Louie
Assistant General Counsel Attachment

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