

MEMO# 2426

December 28, 1990

NORTH CAROLINA TO ADMINISTRATIVELY DENY REGISTRATION TO CONTRACTUAL PLANS

December 28, 1990 TO: CONTRACTUAL PLANS COMMITTEE NO. 14-90 RE: NORTH CAROLINA TO ADMINISTRATIVELY DENY REGISTRATION TO CONTRACTUAL PLANS

The Institute has been informed by the Deputy Securities Administrator of the North Carolina Securities Division that the Division intends to issue administrative stop orders to deny the registration statements of all contractual plans in North Carolina. The Division will be basing such stop orders on the grounds that the contractual plan fee structure exceeds the limits set forth in Rule 1307(a) and (b) of the Division. Rule 1307(a) and (b) limit the amount of all commissions and expenses to ten percent of the aggregate selling price of the securities. A copy of Rule 1307 is attached. The staff of the Division has indicated that it will contact each plan sponsor individually to give the sponsor the opportunity to voluntarily withdraw its application to register and/or renew in North Carolina. If the sponsor elects not to voluntarily withdraw its application for registration and/or renewal, the Division anticipates issuing stop orders on or after January 1, 1991. The Institute has requested that the Division defer the issuance of any stop order denying the effectiveness of the registration statement of any contractual plan until the Institute and its contractual plan members have had the opportunity to meet with the Division. A copy of the Institute's letter to the Division is attached. We will be scheduling a meeting with the staff of the Division as soon as possible and will keep you informed of developments. Patricia Louie Assistant General Counsel Attachments