

**MEMO# 2401**

December 18, 1990

## **WISCONSIN TO REQUIRE PRIOR NOTICE TO SHAREHOLDERS IF FUND CHANGES PRIMARY INVESTMENT OBJECTIVE**

December 18, 1990 TO: STATE SECURITIES MEMBERS NO. 34-90 SEC RULES COMMITTEE  
NO. 66-90 RE: WISCONSIN TO REQUIRE PRIOR NOTICE TO SHAREHOLDERS IF FUND  
CHANGES PRIMARY INVESTMENT OBJECTIVE

\_\_\_\_\_ As we previously informed you, the staff of the Wisconsin Securities Commission had taken the position that pursuant to its interpretation of Section SEC 3.09(1)(D), Wis. Adm. Code, a mutual fund must obtain shareholder approval any time a fund wished to change its "basic objectives and policies" to non-fundamental notwithstanding the requirements of the Investment Company Act of 1940. (See Memorandum to SEC Rules Committee No. 51-90 and State Securities Members No. 28-90, dated September 20, 1990.) The Institute met with the staff of the Wisconsin Securities Commission to discuss the foregoing interpretation of Section SEC 3.09(1)(d). Our discussion focused on the fact that the 1940 Act does not require that the investment objective of a fund be a "fundamental investment policy" and unless a mutual fund has specifically designated its investment objective to be a fundamental investment policy of the fund, the fund may change its investment objective without shareholder approval. Based upon the outcome of the meeting, it is the Institute's understanding that the Wisconsin Securities Commission will require mutual funds that have not designated their primary investment objective as a fundamental investment policy to submit an undertaking to the Securities Commission that they will notify Wisconsin shareholders in advance of any change in the fund's investment objective. This position is similar to that taken by the Arizona Securities Division earlier this year. A copy of the Institute's letter to the Wisconsin Securities Commission is attached. We will keep you advised of further developments.  
Patricia Louie Assistant General Counsel Attachment