

MEMO# 6239

September 26, 1994

INSTITUTE SUBMITS COMMENT LETTER ON WISCONSIN ADMINISTRATIVE RULE PROPOSAL

September 26, 1994 TO: CONTRACTUAL PLANS COMMITTEE NO. 12-94 INVESTMENT ADVISERS COMMITTEE NO. 52-94 STATE LIAISON COMMITTEE NO. 53-94 UNIT INVESTMENT TRUST COMMITTEE NO. 62-94 RE: INSTITUTE SUBMITS COMMENT LETTER ON WISCONSIN ADMINISTRATIVE RULE PROPOSAL

As we previously informed you, the Office of the Wisconsin Securities Commissioner (the "Commissioner") recently issued for public comment proposed amendments to the Commissioner's Administrative Rules, which would, among other things, create an exclusion from the existing merit and disclosure requirements for certain qualified mutual funds. (See Memorandum to Contractual Plans Committee No. 11-94, State Liaison Committee No. 43-94, and Unit Investment Trust Committee No. 54-94, dated August 12, 1994 and to Investment Advisers Committee No. 44-94, dated August 16, 1994.) Attached is a copy of the comment letter the Institute submitted on the Commissioner's proposal. The Institute's letter expresses strong support for and urges the adoption of the proposed amendments to Rule 3.09, which would limit the applicability of certain merit and disclosure requirements to those investment companies that do not meet specified experience requirements, and to Rule 3.23, which would provide that mutual fund prospectuses that meet federal requirements would satisfy the requirement under state law that such prospectuses include disclosure "of all material facts." The Institute recommends, however, that the Commissioner clarify that, upon adoption of the proposed amendments to Rule 3.23, mutual fund prospectuses that meet the requirements of Form N-1A will no longer be subject to a separate disclosure review by the Commissioner's staff. The Institute's letter opposes adoption of a proposed amendment that would have the effect of prohibiting the sale of contractual plans in Wisconsin. The Institute's letter states that such prohibition would be premature inasmuch as (1) such plans have only been permitted to be offered in Wisconsin since approximately 1992, (2) it was only recently that a plan was registered for sale by the Commissioner's Office, and (3) there has been insufficient time for the Commissioner to assess such plans and their persistency rate. Finally, the Institute's letter expresses support for miscellaneous amendments in the proposal that would: (1) provide a registration exemption for resales by a unit investment trust sponsor of shares of beneficial interest in the trust that were acquired by the sponsor in the secondary market; (2) impose conditions on broker-dealers conducting business on the premises of a financial institution, which conditions are compatible with guidelines issued within the last year by the various federal agencies that regulate financial institutions; (3) permit the use of negative response letters that are in conformance with the Rules of Fair Practice of the National Association of Securities

Dealers; and (4) provide for disclosure of specified fee information in connection with wrap fee programs. In addition to submitting the attached comment letter, the Institute plans to provide oral and written testimony in support of the proposed amendments during the public hearing to be held on this matter on September 27, 1994. Tamara K. Cain Assistant Counsel Attachment

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