

MEMO# 1471

October 18, 1989

CALIFORNIA PROPOSED ANTI-APARTHEID DISCLOSURE REGULATIONS

- 1 - October 18, 1989 TO: SEC RULES MEMBERS NO. 59-89 STATE SECURITIES MEMBERS NO. 35-89 CLOSED-END FUND MEMBERS NO. 57-89 UNIT INVESTMENT TRUST MEMBERS NO. 56-89 RE: CALIFORNIA PROPOSED ANTI-APARTHEID DISCLOSURE REGULATIONS

As we previously informed you, voters in California approved a proposition last year that requires, effective January 1, 1990, all corporations issuing securities in California to include disclosure in their prospectuses of "whether or not" that corporation (or any affiliated corporation) does business in South Africa, or with any person or group located in South Africa. (See Memorandum to SEC Rules Members No. 25-89, State Securities Members No. 16-89, Closed-End Fund Members No. 20-89 and Unit Investment Trust Members No. 25-89, dated May 4, 1989.) On October 12, the office of the California Secretary of State issued proposed regulations relating to the proposition, copies of which are attached. The regulations would require each corporation selling securities in California to file a notice that attaches photocopies of the required prospectus disclosure, as well as the cover page of the prospectus. The regulations also describe the notice form. There are certain provisions of the proposed regulations of special interest to investment companies. Investment companies organized as business trusts are exempt from the disclosure requirements, as the proposition only covers corporations. In addition, the proposed regulations specify that a mutual fund need not consider whether its sponsor nor whether corporations in which it invests are doing business in South Africa in order to determine whether it is doing business in South Africa. Mutual funds are also not considered to be subsidiaries of their sponsors. The proposed regulations also specify the exact disclosure that should appear in prospectuses of corporations selling shares in California. For those that do not do business in South Africa the prospectus should state: "This corporation does not do business in, and does not do business with any person or group - 2 - located in, South Africa". "Company" may be substituted for "corporation". Comments on the proposed regulations are due December 5. We will keep you informed of developments. Craig S. Tyle Associate General Counsel Attachment

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