

MEMO# 4413

January 13, 1993

LETTERS FROM CHAIRMAN DINGELL CONCERNING BOND INVESTMENTS

January 13, 1993 TO: BOARD OF GOVERNORS NO. 3-93 MEMBERS - ONE PER COMPLEX NO. 3-93 RE: LETTERS FROM CHAIRMAN DINGELL CONCERNING BOND INVESTMENTS

Chairman John Dingell of the House Energy and Commerce Committee has written to the Office of the Comptroller of the Currency, the Securities and Exchange Commission, and the National Association of Securities Dealers, requesting information concerning the sale of bond funds and other bond investments. In particular, Chairman Dingell requested information concerning (1) currently required disclosure regarding the risks associated with a bond investment as opposed to a CD; (2) further steps that are warranted to reiterate the NASD's advice concerning a broker's obligation to disclose that bond investments are sensitive to interest rate fluctuations and carry a greater degree of risk to capital than CDs; and (3) whether bank tellers and other personnel on bank premises are encouraged or allowed to sell bond investments to bank customers. Copies of Chairman Dingell's letters are attached. As you know, the mutual fund industry has been engaged in efforts to educate the public on how these funds work and how they differ from CDs. In addition to the letters to shareholders and communications to brokers and financial planners from fund organizations, the Institute has undertaken a number of consumer education efforts. As a result of these efforts, there have been hundreds of articles in the news media explaining alternatives to CDs and the risks and benefits associated with these alternatives. Matthew P. Fink President

Attachments

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