

**MEMO# 2199**

September 20, 1990

## **WISCONSIN AND ARIZONA ISSUE COMMENTS WITH RESPECT TO CHANGES IN A FUND'S INVESTMENT OBJECTIVE**

September 20, 1990 TO: SEC RULES COMMITTEE NO. 51-90 STATE SECURITIES MEMBERS  
NO. 28-90 RE: WISCONSIN AND ARIZONA ISSUE COMMENTS WITH RESPECT TO CHANGES IN  
A FUND'S INVESTMENT OBJECTIVE

During the NASAA Fall Conference in Billings, Montana, members of the NASAA Investment Company Registration/Trading Practices Committee ("NASAA Committee") expressed concern as to whether mutual funds should be required to notify shareholders in advance of a change of an investment objective that is not a fundamental policy of the fund. Apparently, their concern applied only to investment objectives not to investment policies. The NASAA Committee stated its intention of reviewing this matter and making a recommendation as to its findings to the NASAA membership. As a result of the NASAA Committee review of this issue, the Institute recently received a letter from the state of Wisconsin indicating that Wisconsin has taken the position that a fund must obtain shareholder approval any time a fund wished to change its "basic objectives and policies" to non-fundamental. A copy of the Wisconsin letter is attached. The Institute is seeking clarification of the scope and terms of the Wisconsin letter from the staff of the Securities Division. Arizona has also issued comments with respect to changes in non-fundamental investment objectives and has required that funds submit an undertaking representing that shareholders of the fund will be notified in advance of a change in the investment objectives of a fund. Arizona's interpretation applies only to investment objectives as opposed to investment policies. Please advise me as to (1) whether your funds have investment objectives that are not fundamental policies of the fund and (2) the ramifications, if any, the Wisconsin and Arizona comments will have on your funds. We will keep you advised of developments. Patricia Louie Assistant General Counsel Attachment

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