

MEMO# 4347

December 22, 1992

NASAA COMMITTEE TO STUDY INVESTMENT COMPANY SALES PRACTICES

December 22, 1992 TO: BOARD OF GOVERNORS NO. 93-92 SEC RULES COMMITTEE NO. 94-92 STATE LIAISON COMMITTEE NO. 45-92 UNIT INVESTMENT TRUST COMMITTEE NO. 71-92 SUBCOMMITTEE ON ADVERTISING NO. 16-92 RE: NASAA COMMITTEE TO STUDY INVESTMENT COMPANY SALES PRACTICES

The North American Securities Administrators Association ("NASAA"), recently formed a new committee, the Investment Company Sales Practices Committee. According to NASAA, the Committee will "evaluate whether suitability requirements are necessary for certain types of mutual funds, such as junk bond mutual funds." Other projects the Committee will be reviewing include the following: (1) study and report on the effectiveness of current state and federal regulation regarding sales practices of investment companies, including preventing unsuitable sales, curbing manipulative and deceptive sales techniques and preventing sales by untrained personnel. Assess whether special problems exist when sales are made through affiliated broker-dealers; (2) review survey completed by the 1991 Investment Companies Committee concerning complaints regarding investment companies and develop recommended solutions; (3) study and report on the effectiveness of current state and federal regulation of advertising practices of investment companies; (4) evaluate current disclosure requirements for sales incentives for mutual funds. Determine whether current disclosure guidelines are sufficient and, if not, determine whether further regulatory action is justified; and (5) evaluate whether the Series 6 examination is sufficient to qualify an agent to sell mutual funds. The following individuals have been appointed to serve on the Committee: Miriam S. Dant, Chair (Indiana), William Mohr, Vice chair (New York), Linda M. Cohen (Rhode Island), Ann D. Diers (Nebraska) and Dan Raschke (Texas). The Institute has been in contact with the Chair and Vice- Chair of the Committee to offer information and assistance with the above-referenced projects. We will keep you advised of developments.

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