

**MEMO# 5553**

February 4, 1994

## **DRAFT INSTITUTE COMMENT LETTER ON SEC MULTIPLE CLASS AND MASTER- FEEDER FUND PROPOSAL**

February 4, 1994 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 5-94 OPERATIONS COMMITTEE NO. 3-94 SEC RULES COMMITTEE NO. 11-94 RE: DRAFT INSTITUTE COMMENT LETTER ON SEC MULTIPLE CLASS AND MASTER-FEEDER FUND PROPOSAL

As we previously reported, the Securities and Exchange Commission recently proposed new Rule 18f-3 under the Investment Company Act to allow open-end management investment companies to issue multiple classes of voting stock, and proposed various amendments to its rules and forms to establish disclosure requirements for multiple class and master-feeder funds. (See Memorandum to Accounting/Treasurers Committee No. 40-93; Operations Committee No. 36-93; SEC Rules Committee No. 115-93, dated December 27, 1993). Attached is a draft Institute comment letter on the proposals, which reflects the comments we received at the January 13th meeting of members of the committees. The draft Institute letter would: - oppose the proposal to require full cross-disclosure in mutual fund prospectuses about classes or feeder funds that are not being offered in the prospectus, and instead recommend a legend requirement; - recommend that the Commission revise the proposed standard for determining whether classes or feeder funds are being made available as alternatives to investors and therefore necessitate additional disclosure; - oppose the proposal to require a legend in prospectuses, advertising, and sales literature for classes or feeder funds that are not being made available as alternatives to investors; - oppose the proposed hypothetical line graph and recommend that the Commission require narrative disclosure instead; - oppose the proposed requirement to include equally prominent performance information for other classes or feeder funds in advertising and sales literature; and - generally support proposed Rule 18f-3. Comments on the Commission's proposal are due February 22, 1994. Please direct your comments to me by February 16, 1994. My direct telephone number is 202/326-5819. Thomas M. Selman Assistant Counsel

Attachment