

MEMO# 1570

December 5, 1989

INSTITUTE COMMENT LETTER ON CALIFORNIA PROPOSED ANTI- APARTHEID DISCLOSURE REGULATIONS

December 5, 1989 TO: STATE SECURITIES MEMBERS NO. 42-89 CLOSED-END FUND
MEMBERS NO. 65-89 RE: INSTITUTE COMMENT LETTER ON CALIFORNIA PROPOSED ANTI-
APARTHEID DISCLOSURE REGULATIONS

_____ As we previously informed you, the California Secretary of State has issued proposed regulations under Proposition 105, which requires all corporations issuing securities in California to include disclosure in their prospectuses of whether or not that corporation does business in South Africa or with any person or group located in South Africa. (See Memorandum to State Securities Members No. 35-89 and Closed-End Fund Members No. 57- 89, dated October 18, 1989.) The proposed regulations provided 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 Institute has filed a comment letter on the proposed regulations seeking clarification that the guidelines noted above also apply to closed-end funds. The letter notes that the same rationale used to justify the rules for mutual funds would also apply in the case of closed-end funds. The letter therefore suggests that the term "investment company registered under the Investment Company Act of 1940" be used in place of "mutual fund". A copy of the Institute's comment letter is attached. Registrants should bear in mind that the disclosure requirements under Proposition 105 become effective January 1, 1990. Craig S. Tyle Associate General Counsel
Attachment