

MEMO# 1260

July 14, 1989

NASAA REGULATED INDUSTRIES COMMITTEE PROPOSAL REGARDING LATE RENEWAL

July 14, 1989 TO: STATE LIAISON COMMITTEE NO. 10-89 SEC RULES COMMITTEE NO. 36-89
RE: NASAA REGULATED INDUSTRIES COMMITTEE PROPOSAL REGARDING LATE RENEWAL

The Regulated Industries Committee of the North American Securities Administration Association (NASAA) has received several complaints from various states regarding mutual funds failing to renew their state registration on a timely basis. The Committee has reviewed this issue and has prepared a Mutual Fund Study and Recommendations (Study). The Study, which is attached, includes: 1) a Proposed Policy Statement which will be submitted to the NASAA membership for consideration at the NASAA Fall Conference in Quebec, 2) a proposed administrative rule, 3) a proposed amendment to statute containing provisions applicable to registration generally, and 4) a model indemnification clause. The Proposed Policy Statement states that it is NASAA's view that mutual fund investors should not be penalized for the wrongful acts or omissions of a mutual fund's investment adviser and sets forth a mechanism for cooperation with the SEC, to effect, when possible, payment by the adviser of fines and penalties assessed by NASAA members. The proposed administrative rule and proposed amendment to the statute requires that an undertaking be submitted by the investment adviser or manager to indemnify the fund with respect to any and all losses or liabilities to which the fund may become subject to as a result of the failure to renew the registration of the fund's shares. A subcommittee of the Institute's State Liaison Committee has been formed to prepare a response to the Study for presentation to NASAA at the Fall Conference in September. To assist the Subcommittee in preparing its response, please submit any comments you may have regarding the Study by August 7, 1989. Patricia Louie
Assistant General Counsel Attachment