

MEMO# 1648

January 12, 1990

PROPOSED AMENDMENTS TO MASSACHUSETTS RULES

January 12, 1990 TO: STATE LIAISON COMMITTEE NO. 1-90 UNIT INVESTMENT TRUST
COMMITTEE NO. 1-90 RE: PROPOSED AMENDMENTS TO MASSACHUSETTS RULES

The Massachusetts Securities Division has recently proposed for public comment several amendments to its regulations. The following amendments relate to mutual funds and/or unit investment trusts: 1) 950 CMR 12.200 reorganizes and revises the entire section pertaining to the regulation of broker-dealers doing business in Massachusetts. Among other things, the proposed amendments clarify certain requirements for registration as a principal and agent, clarify when initial and renewal applications become effective, increase the record-keeping requirements of a broker-dealer and incorporate the NASAA definition of dishonest and unethical practices of broker-dealers and agents. 2) 950 CMR 13.306 revises the filing requirements for investment company shares to match current Division practice. 3) 950 CMR 14.402(b)(1)(B) sets forth a definition of "non- issuer transaction or distribution" that is more restrictive than the current definition. The proposed definition excludes a transaction by a controlling person if the transaction, when aggregated with other transactions during the preceding twelve months, involves the sale of more than one percent of the outstanding shares of the security involved in the transaction, rather than two percent as provided for in the current definition. 4) 950 CMR 14.402(b)(2)(A) removes many of the securities manuals currently recognized by the Securities Division for purposes of the state's manual exemption. However, the Division will continue to recognize Moody's Bank and Finance Manual and Moody's Public Utility Manual. 5) 950 CMR 14.403 revises the filing requirements for sales literature and clarifies what constitutes sales literature. * * * Attached is a copy of the proposed amendments. The Securities Division will hold a public hearing on the proposed amendments Wednesday, January 31, 1990. However, written comments may be submitted through February 10, 1990. Please contact me with any comments by January 24, 1990 so that such can be included in the Institute's comment letter. Patricia Louie Assistant General Counsel Attachment

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