

**MEMO# 1624**

December 27, 1989

## **AD HOC COMMITTEE TO EXAMINE PROSPECTUS DISCLOSURE REQUIREMENTS**

December 27, 1989 TO: SEC RULES COMMITTEE NO. 81-89 RE: AD HOC COMMITTEE TO  
EXAMINE PROSPECTUS DISCLOSURE REQUIREMENTS

As you know, the SEC has proposed an amendment to the Form N-2 requiring disclosure of fund portfolio managers. The Institute submitted a comment letter generally opposing the proposal except in certain circumstances. At the recent SEC/ICI Procedures Conference, Matt Fink, in his introductory remarks, briefly addressed the portfolio manager proposal specifically but then expressed a much broader concern which was raised by the proposal. His concern was over what he termed "disclosure creep," i.e., the increasing number of disclosure requirements being added to a fund's prospectus by the Commission and the staff. Those additional requirements have, in the aggregate, substantially increased the length of fund prospectuses. Last Thursday, the SEC approved for public comment amendments to the Form N-1A which would, among other things, require disclosure of portfolio managers. (The release proposing this requirement has not yet been issued.) In view of this proposal, the Institute submitted the attached letter to Chairman Breeden reiterating our concern about "disclosure creep" and proposing a solution to the problem, which would be to adopt an approach akin to "zero-based budgeting." This approach requires that every time the Commission or the staff proposes a new disclosure item, a second proposal also be made to delete or pare down an existing requirement. The Institute is forming an ad hoc committee to review current disclosure requirements and prepare a proposal for the SEC regarding those requirements which should be deleted or modified. Please contact me at (202)955-3523 by January 29, 1990, if you are interested in participating on that committee.

. Amy B. Rosenblum Assistant General Counsel Attachment