

**MEMO# 5475**

January 10, 1994

## **LETTER FROM CHAIRMAN DINGELL TO SEC CONCERNING OCC MUTUAL FUND BROCHURE; SEC'S RESPONSE**

January 10, 1994 TO: BANK INVESTMENT MANAGEMENT MEMBERS NO. 2-94 BOARD OF GOVERNORS NO. 5-94 TASK FORCE ON BANK SALES ACTIVITIES RE: LETTER FROM CHAIRMAN DINGELL TO SEC CONCERNING OCC MUTUAL FUND BROCHURE; SEC'S RESPONSE \_\_\_\_\_ House Energy and Commerce Committee Chairman John D. Dingell recently sent the attached letter to SEC Chairman Arthur Levitt, concerning a brochure that the Office of the Comptroller of the Currency recently issued to alert bank customers that mutual funds are not FDIC-insured. (A copy of the OCC's brochure also is attached.) Chairman Dingell's letter states that he is "concerned that [the SEC] has not done anything similar" and requests information about what the agency is doing for "investor outreach." Chairman Levitt recently sent the attached response, in which he reiterated his position that "investors must be warned that a bank-sold investment product is not covered by federal deposit insurance or otherwise guaranteed." Chairman Levitt stated that "balkanized regulation largely is to blame" for existing regulatory gaps, and supported legislation to repeal the bank broker-dealer and investment adviser exclusions from the Securities Exchange Act and the Investment Advisers Act. Chairman Levitt's letter also announced several measures: 1. Chairman Levitt has directed the formation of a consumer affairs advisory committee to explore issues regarding communication of information from regulated entities to mutual fund shareholders and other investors. The committee will also examine how the SEC "can be more responsive to consumer needs." Robert Abrams, the Attorney General of New York State, has agreed to chair the committee. 2. The agency has scheduled meetings of focus groups for early January, as a follow-up "and further refinement" to the SEC's recent mutual fund survey. (See Memorandum to Board of Governors No. 104-93; Bank Investment Management Members No. 31-93; Task Force on Bank Sales Activities, dated November 17, 1993.) A larger survey will be conducted shortly after the results of the focus groups have been analyzed. 3. The Commission is preparing an investor-directed bulletin that explains the regulation of mutual funds and the risks of investing in them. The Chairman specifically noted that the Institute and several mutual fund complexes "have been very active in preparing and distributing investor guides regarding this issue." We will keep you informed of further developments. Paul Schott Stevens General Counsel Attachments

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