

MEMO# 1826

April 6, 1990

VIRGINIA LEGISLATION

April 6, 1990 TO: BOARD OF GOVERNORS NO. 24-90 UNIT INVESTMENT TRUST COMMITTEE
NO. 16-90 RE: VIRGINIA LEGISLATION

As you know, the Institute has been actively working with the Virginia General Assembly, the Virginia Corporations Commission and the Virginia Securities Division to eliminate the requirement that unit trusts pay the annual amendment fee set forth in Section 509 of the Virginia Securities Act. A copy of the Institute's testimony before the Virginia House Corporations, Insurance and Banking Committee and House Bill 1039 are attached. We are pleased to inform you that House Bill 1039 passed both houses of the Virginia General Assembly and will go into effect July 1, 1990. The bill amends the Virginia Securities Act as follows: 1. increases the minimum registration fee to \$400 and the maximum fee to \$1,000 (currently set at \$200 and \$700) in Section 509(b) of the Act; 2. provides that the annual amendment fee of \$300 in Section 512 need not be paid by or on behalf of any unit investment trust; and 3. provides that unit investment trusts are not liable for any fees incurred during fiscal year 1990 (July 1, 1989 through June 30, 1990) and that if a trust paid the \$300 amendment fee during that period, such will be refunded upon application of the registrant. The Institute is also pleased to announce that the Corporations Commission and Securities Division have agreed to administratively reinstate, without cost, the unit trusts that have requested termination or withdrawal of their registration statements since July 1, 1989. We are currently working with the Securities Division to determine the appropriate action on the part of the unit trust sponsors in order to effect this reinstatement. In addition, the Corporations Commission and Securities Division have also agreed to propose an administrative regulation addressing the potential problem of oversales by providing that a unit trust may file a post-sales report and request for refund of excess registration fees. Unit trust sponsors could pay an initial registration fee in excess of \$400 and receive a refund of a portion of such fee, if warranted under the 1/20th of 1% fee schedule, subject to the \$400 minimum fee. For example, if a trust sponsor paid a registration fee of \$1,000 and sold trust shares in Virginia in the aggregate amount of \$800,000 or less, it could so report and receive a refund in the amount of \$600. This policy is similar to the indefinite registration procedure except that it involves prepayment of a higher fee to the Commission with a potential refund, rather than payment of a minimum fee and later payment of any incremental registration fees due. We will keep you informed of further developments. Patricia Louie Assistant General Counsel Attachments