

MEMO# 6838

April 7, 1995

""INVESTMENT COMPANY ACT AMENDMENTS OF 1995""

April 7, 1995 TO: BOARD OF GOVERNORS No. 43-95 RE: ""INVESTMENT COMPANY ACT
AMENDMENTS OF 1995""

____ Today, House Telecommunications and Finance Subcommittee Chairman Fields and Ranking Member Markey introduced the "Investment Company Act Amendments of 1995". Among other provisions, the bill would: ` Modify the definition of "majority vote" under the Act to make it easier for funds to receive shareholder approval of actions, drop the requirement that shareholders approve the selection of independent accountants and add a requirement that shareholders approve changes in a fund's investment objective. ` Allow the SEC to permit mutual fund advertisements to contain information the "substance of which" is not included in the fund's prospectus. ` Establish an exemption under the Act for funds sold only to institutional investors and wealthy individuals that meet certain thresholds set forth in the bill. Consistent with the Institute's position, the SEC would not have the discretion to lower these standards. ` Require that all mutual funds have a majority of independent directors and that independent directors be self-nominating, and allow the independent directors to cancel an advisory contract. ` Establish an exemption from the statutory restrictions on "funds of funds" for certain funds that invest in affiliated funds, and allow the SEC broader authority to exempt other funds from the restrictions. ` ,mes by rule or by order. • Allow the establishment of "unified fee funds", which would be funds with relatively fixed expense ratios that would be exempt from certain provisions of the Investment Company Act. Attached for your information are: a copy of the bill and section-by-section analysis, Chairman Fields's introductory remarks, and the Institute's press release expressing support for the bill. Hearings are expected in May or June with floor action thereafter. Matthew P. Fink President Attachments

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