

**MEMO# 5015**

July 30, 1993

# **PROPOSED STANDARDIZATION NOMENCLATURE FOR MULTIPLE CLASS FUNDS**

July 30, 1993 TO: DIRECT MARKETING COMMITTEE NO. 40-93 INDUSTRY STATISTICS  
COMMITTEE NO. 12-93 MARKETING POLICY COMMITTEE NO. 31-93 OPERATIONS COMMITTEE  
NO. 24-93 PUBLIC INFORMATION COMMITTEE NO. 40-93 SALES FORCE MARKETING  
COMMITTEE NO. 39-93 SEC RULES COMMITTEE NO. 69-93 SHAREHOLDER  
COMMUNICATIONS COMMITTEE NO. 32-93 RE: PROPOSED STANDARDIZATION  
NOMENCLATURE FOR MULTIPLE CLASS FUNDS

Earlier this year at meetings of the Operations and Sales Force Marketing Committees, members expressed concern about the absence of industry standardization in connection with the nomenclature for classes of shares. The concern is that without some standardization, an increasing diversity of class designations can be expected to produce confused communications between and among funds, brokers and shareholders. Accordingly, a joint task force of Sales Force Marketing and Operations Committee members was formed to consider the advisability of recommending guidelines for naming new classes of multiple class funds in the future. Participants in the task force agreed unanimously that a continued proliferation of multiple classes of shares in the absence of standardization will (1) lead to investor uncertainty and confusion, (2) create confusion among brokers and other intermediaries, (3) lead to corresponding operations problems, and (4) invite criticism from the financial news media that investors are facing too many choices. The attached proposal was developed by the task force as suggested, voluntary, general guidelines that fund sponsors may consider in structuring multiple class offerings in the future. The guidelines were developed from the perspective of the investor. Therefore, for example, for the purposes of the guidelines, a class would be considered to have no front end load if an investor pays no front end load, irrespective of whether a salesperson receives compensation from the distributor at the point of sale. We recognize the potential for ambiguities between certain class definitions. The task force believes, however, that a flexible approach would be more broadly applicable and less likely to result in the inability to include innovative class structures within the guidelines. Please review the proposed guidelines for any major problems or objections and submit any comments you may have in writing to the Institute by September 10, 1993 to Justine Phoenix, Director of Operations/Transfer Agency. The Institute's Executive Committee will review an analysis of comments and any recommended changes to the proposal prior to recommending to the Board of Governors whether final voluntary guidelines should be distributed to the membership. Thank you for your attention to this matter. L. Erick Kanter Vice President - Public Information and Marketing Donald J. Boteler Assistant Vice President - Operations

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