

MEMO# 1643

January 9, 1990

PROPOSED AMENDMENTS TO MUTUAL FUND REGISTRATION STATEMENT

RESENT DUE TO MISSING PAGES OF ATTACHMENT January 9, 1990 TO: BOARD OF GOVERNORS NO. 3-90 SEC RULES MEMBERS NO. 2-90 OPERATIONS MEMBERS NO. 2-90 ACCOUNTING/TREASURER MEMBERS NO. 1-90 RE: PROPOSED AMENDMENTS TO MUTUAL FUND REGISTRATION STATEMENT

Attached is the release issued by the SEC proposing revisions to the Form N-1A, the mutual fund registration statement. The proposed revisions are outlined below.

Discussion of Fund Performance The Commission has proposed two alternative amendments to Form N-1A which would require disclosure about the investment results achieved by the fund in the prospectus or the annual report to shareholders. The first alternative would require management to discuss and analyze the fund's performance for the prior fiscal year in relation to its investment objectives. Management would be required to evaluate the strategies and techniques used to pursue those objectives and their effects on the fund's total return. The second alternative proposal would require a comparison of fund performance (yield in the case of money markets; total return in all other cases) over time periods of one, five and ten years to the performance of an "appropriate securities index" over the same periods. Both proposals also would require narrative disclosure about the impact on the fund and its shareholders of any practices that the fund may use to maintain a certain level of distribution. The disclosure requirements under either alternative proposal could be satisfied by including the disclosure in the prospectus or in the annual report to shareholders. The proposal requires that funds satisfy the following conditions if they elect to put the disclosure in the annual report: (i) a copy of the annual report must either precede or accompany delivery of the prospectus; (ii) the required disclosures must be incorporated by reference into the prospectus; and (iii) the specified performance information must be filed with the Commission as an exhibit to the registration statement. The Commission also has requested comment on an alternative means of using annual reports to satisfy the disclosure requirement. Under this alternative, funds would not have to meet the requirements set forth above. Instead, funds would have to include a statement in the prospectus that the annual report contains an explanation of the fund's performance during its most recent fiscal year, and that it is available upon request. The release also proposes amendments to related rules to: (i) permit amendments to prospectuses filed for the purpose of including or updating the required disclosure about investment performance to be eligible to become effective immediately upon filing; (ii) exclude performance information in periodic reports to shareholders from the currently required updating requirements; and (iii) require funds to retain specified records relating to the index comparison that would be required by the second alternative proposal discussed above.

Disclosure of Portfolio Managers The Commission is proposing to require mutual funds to disclose in the prospectus the name and background of all persons who "significantly

contribute to the investment advice relied on to manage the fund's portfolio." This proposal is identical to the proposal made by the SEC last summer with respect to closed- end fund registration statements. Per Share Table The proposal includes a number of revisions to the per share table in the prospectus. Most of the changes are not substantive, but are merely intended to shorten and simplify the table. However, the proposal requires that total return be included in the per share table. The proposed calculation for reflecting total return differs from the calculation used in connection with advertising performance data in that sales load would not be reflected in the total return figure in the per share table. Comment Period The comment period for the proposed revisions to Form N-1A ends on March 12, 1990. Please provide Craig Tyle or me with your comments on the proposed revisions by January 31, 1990. Amy B. Rosenblum Assistant General Counsel Attachment

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