

MEMO# 5286

October 29, 1993

INSTITUTE COMMENTS ON PROPOSED MISSOURI REGISTRATION PROCEDURE

October 29, 1993 TO: SEC RULES COMMITTEE NO. 97-93 STATE LIAISON COMMITTEE NO. 50-93 UNIT INVESTMENT TRUST COMMITTEE NO. 52-93 RE: INSTITUTE COMMENTS ON PROPOSED MISSOURI REGISTRATION PROCEDURE

As you know, the Missouri Securities Commissioner issued for public comment a proposed rule for registration of securities of an investment company that would require, among other items, the delivery of a Missouri supplement containing certain specified information to prospective Missouri investors. (See Memorandum to SEC Rules Committee No. 87-93, State Liaison Committee No. 46-93 and Unit Investment Trust Committee No. 49-93, dated October 6, 1993.) The Institute submitted the attached comment letter, which focuses solely on the impact the proposed rule would have on mutual funds since the Commissioner indicated that the proposal would not apply to closed-end funds or unit investment trusts. In its comment letter, the Institute stated that the proposal would be counterproductive and extremely burdensome and costly to mutual funds and their shareholders. The letter further stated that the proposal could not be justified and should be withdrawn for the following reasons: - mandating the delivery of a proposed Missouri supplement to investors appears to be beyond the scope of the Commissioner's authority; - the proposed Missouri supplement represents a radical departure from existing state practice; - the proposed Missouri supplement is inconsistent with the SEC's summary prospectus proposal and is entirely premature; - several of the disclosure items contained in the proposed Missouri supplement are not material to an investment decision and may, in fact, be misleading; - the proposed Missouri supplement will not streamline or simplify the information provided to investors; - the proposal is ambiguous as to when the Missouri supplement would be required to be delivered; and - compliance with the proposal would be extremely burdensome and costly to mutual funds and their shareholders. The Institute will be scheduling a meeting with the Missouri Securities Commissioner to further discuss the proposed rule's impact on the mutual fund industry. We will keep you advised of developments. Patricia Louie Associate Counsel Attachment