

MEMO# 2843

June 14, 1991

INSTITUTE SUBMITS COMMENTS ON PROPOSED KANSAS RULE PROVIDING FOR BLUE CHIP EXEMPTION

June 14, 1991 TO: STATE LIAISON COMMITTEE NO. 13-91 UNIT INVESTMENT TRUST
COMMITTEE NO. 22-91 RE: INSTITUTE SUBMITS COMMENTS ON PROPOSED KANSAS RULE
PROVIDING FOR BLUE CHIP EXEMPTION

_____ The Office of the Kansas
Securities Commissioner recently published for comment proposed rule K.A.R. 81-5-9. This rule provides an exemption from the registration provisions for certain mutual funds and unit investment trusts ("blue chip exemption"). The proposed rule is based on a similar exemption in the Revised Uniform Securities Act of 1985 which has been adopted in ten other states. The proposed rule would require submission of a Notice of Claim of Exemption and payment of a fee of \$1,850 for mutual funds and \$300 for unit trusts to the Office of the Commissioner. A copy of the proposed rule is attached. The Institute submitted the attached comment letter and testified at the public hearing on June 10, 1991. In its comment letter, the Institute expressed strong support for adoption of the proposed rule provided that certain amendments to the fee provisions were made. The Institute recommended that for mutual funds, the proposed rule be amended to provide for a three tier fee based on the net assets of the fund. Two different alternatives with respect to break points on net asset size were set forth in the Institute's letter. The first, provides that a fund with net assets of less than \$100 million pay a fee of \$300 [\$500], a fund with net assets of more than \$100 million but less than \$400 million pay a fee of \$750 [\$1,000], and a fund with net assets of more than \$400 million pay a fee of \$1,500. The second alternative set the break points at \$50 million, \$50 to \$250 million and over \$250 million. The Institute further recommended that a unit trust pay a fee of \$100 [\$150] to claim the exemption. The Office of the Commissioner will be issuing a revised rule in the near future. We will keep you advised of developments. Patricia Louie Assistant General Counsel Attachments