

MEMO# 7638

February 15, 1996

IMMEDIATE ACTION ITEM

February 15, 1996 TO: BOARD OF GOVERNORS No. 8-96 MEMBERS - ONE PER COMPLEX No. 14-96 RE: IMMEDIATE ACTION ITEM

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LEGISLATIVE ALERT ** Write Congress NOW to Eliminate Duplicative State Regulation of Mutual Funds: House Subcommittee Action Scheduled for March 7-8 On March 7 and 8, the House Subcommittee on Telecommunications and Finance will formally act on legislation to amend the Investment Company Act of 1940 (H.R. 1495). There is broad bipartisan support for legislative proposals (not yet contained in H.R. 1495) that would eliminate duplicative state regulation of mutual funds. We are asking you to contact Members of the Commerce Committee immediately to urge them to include language in H.R. 1495 that provides for the elimination of duplicative state regulation governing the mutual fund industry.

Letters to Members of the Committee should be in your own words. You might begin by identifying your firm (e.g., number of funds, employees, shareholders, assets, etc.) The following arguments can be used to support the elimination of duplicative state regulation of mutual funds: Mutual funds are the most strictly regulated segment of the securities industry; they are subject to all of the major federal securities statutes--not only the Investment Company Act of 1940 that would be revised by this bill--but also the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940. The Acts are enforced uniformly, on a nationwide basis, by the SEC. But in addition to this extensive regime of federal regulation, mutual funds are subject to an array of disparate requirements imposed by state governments. This "patchwork" of state regulation unnecessarily duplicates federal regulation, produces conflicts and inconsistencies, and frustrates uniform national regulatory policy. Because mutual funds are sold nationally, mutual funds must comply with the laws of all 50 states. Thus, any single state can dictate policy for mutual fund shareholders throughout the nation--and a minority of "activist" states regularly do so. This is contrary to the interests of mutual fund shareholders: * It undermines SEC initiatives to improve investor protection; * It helps produce prospectuses that are lengthy, complex and difficult to comprehend; and * It hinders innovation in fund products and services permitted by federal law. The current system diverts scarce state government resources from higher priorities, such as investigating customer complaints and addressing fraud and abuse. Under pending legislative proposals, existing state enforcement powers and the ability of states to receive notice filings and collect fees from mutual funds would be fully preserved; but mutual fund prospectuses, advertising and fund portfolio investments would be exclusively regulated by the SEC under federal law. The attachment lists members of the House Commerce Committee, with contact information. All letters should be sent as soon as possible. Please write all Members of the Committee who represent states in which your company has an office and emphasize your presence in their state. Please copy these

letters to: 1) Commerce Committee Chairman Thomas Bliley (R-VA); 2) Ranking Minority Member John Dingell (D-MI); 3) Subcommittee Chairman Jack Fields (R-TX); and (4) Ranking Minority Member Edward Markey (D-MA). If none of the members of the Committee are from your state, write directly to Subcommittee Chairman Jack Fields (R-TX) and Ranking Minority Member Edward Markey (D-MA) and send copies to: 1) Committee Chairman Thomas Bliley (R-VA); and 2) Ranking Minority Member John Dingell (D-MI). Please send a blind copy of your letters to the attention of Julie Domenick (202/326-5890) or Don Morrissey (202/326-5895); fax number: 202/326-5899. Thank you very much for your assistance. Matthew P. Fink President Attachment HOUSE COMMERCE COMMITTEE MEMBERS All letters should be addressed to: The Honorable ; Building; U. S. House of Representatives; Washington, D. C. 20515

Committee Chairman VA 2241 Rayburn Bldg. 202/225-0011 Committee Ranking MI 2328 Rayburn Bldg. 202/225-4637 Subcommittee TX 2228 Rayburn Bldg. 202/225-2772 Subcommittee MA 2133 Rayburn Bldg. 202/225-1716 Blanche Lincoln AR 1204 Longworth Bldg. 202/225-4654 Brian Bilbray CA 1004 Longworth Bldg. 202/225-2948 bilbray@hr.house.gov Christopher Cox CA 2402 Rayburn Bldg. 202/225-9177 Carlos Moorhead CA 2346 Rayburn Bldg. 202/226-1279 Anna Eshoo CA 308 Cannon Bldg. 202/225-8890 anngram@hr.house.gov Henry Waxman CA 2408 Rayburn Bldg. 202/225-4099 Dan Schaefer CO 2353 Rayburn Bldg. 202/225-7885 schaefer@hr.house.gov Gary Franks CT 133 Cannon Bldg. 202/225-5085 Michael Bilirakis FL 2240 Rayburn Bldg. 202/225-4085 truerep@hr.house.gov Cliff Stearns FL 2352 Rayburn Bldg. 202/225-3973 cstearns@hr.house.gov Peter Deutsch FL 204 Cannon Bldg. 202/225-8456 pdeutsch@hr.house.gov Nathan Deal GA 1406 Longworth Bldg. 202/225-8272 Charlie Norwood GA 1707 Longworth Bldg. 202/225-3397 ga10@hr.house.gov Greg Ganske IA 1108 Longworth Bldg. 202/225-3193 Michael Crapo ID 437 Cannon Bldg. 202/225-8216 Dennis Hastert IL 2453 Rayburn Bldg. 202/225-0697 dhastert@hr.house.gov Cardiss Collins IL 2308 Rayburn Bldg. 202/225-8396 Bobby Rush IL 131 Cannon Bldg. 202/226-0333 Edward Whitfield KY 1541 Longworth Bldg. 202/225-3547 W.J. Tauzin LA 2183 Rayburn Bldg. 202/225-0563 Gerry Studds MA 237 Cannon Bldg. 202/225-2212 Fred Upton MI 2333 Rayburn Bldg. 202/225-4986 Bart Stupak MI 317 Cannon Bldg. 202/225-4744 Richard Burr NC 1431 Longworth Bldg. 202/225-2995 mail2nc5@hr.house.gov Frank Pallone NJ 420 Cannon Bldg. 202/225-9665 Bill Richardson NM 2209 Rayburn Bldg. 202/22506190 Daniel Frisa NY 1529 Longworth Bldg. 202/225-3187 Bill Paxon NY 2436 Rayburn Bldg. 202/225-5910 bpaxon@hr.house.gov Thomas Manton NY 2235 Rayburn Bldg. 202/225-1909 tmanton@hr.house.gov Edolphus Towns NY 2232 Rayburn Bldg. 202/225-1018 Paul Gillmor OH 1203 Longworth Bldg. 202/225-1985 Michael Oxley OH 2233 Rayburn Bldg. 202/226-1160 oxley@hr.house.gov Sherrod Brown OH 1019 Longworth Bldg. 202/225-2266 Tom Coburn OK 511 Cannon Bldg. 202/225-3038 Elizabeth Furse OR 316 Cannon Bldg. 202/225-9497 furseor1@hr.house.gov James Greenwood PA 430 Cannon Bldg. 202/225-9511 Ron Klink PA 125 Cannon Bldg. 202/226-2274 Bart Gordon TN 2201 Rayburn Bldg. 202/225-6887 Joe Barton TX 2264 Rayburn Bldg. 202/225-3052 barton06@hr.house.gov John Bryant TX 2330 Rayburn Bldg. 202/225-0327 Ralph Hall TX 2236 Rayburn Bldg. 202/225-3332 Rick Boucher VA 2245 Rayburn Bldg. 202/225-0442 ninthnet@hr.house.gov Rick White WA 116 Cannon Bldg. 202/225-3524 repwhite@hr.house.gov Scott Klug WI 1113 Longworth Bldg. 202/225-6942 badger02@hr.house.gov

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