

**MEMO# 5726**

March 28, 1994

# **COMMENTS REQUESTED FOR 1994 CONFERENCE ON UNIFORMITY OF FEDERAL-STATE SECURITIES REGULATION AGENDA**

March 28, 1994 TO: INVESTMENT ADVISERS COMMITTEE NO. 25-94 SEC RULES COMMITTEE NO. 40-94 STATE LIAISON COMMITTEE NO. 27-94 UNIT INVESTMENT TRUST COMMITTEE NO. 26-94 RE: COMMENTS REQUESTED FOR 1994 CONFERENCE ON UNIFORMITY OF FEDERAL-STATE SECURITIES REGULATION AGENDA

Since 1983 the Securities and Exchange Commission ("SEC") and the North American Securities Administrators Association ("NASAA") have held a conference pursuant to Section 19(c) of the Securities Act of 1933. The policies and purposes of that section are to increase uniformity in matters concerning state and federal regulation of securities, maximize the effectiveness of securities regulation in promoting investor protection, and reduce the burdens on capital formation through increased cooperation between the SEC and the state securities regulatory authorities. This year's conference will be held on April 18, 1994 in Washington, D.C. The SEC and NASAA currently are in the process of formulating the agenda for the conference and have requested participation from interested parties through the submission of written comments on the tentative agenda. Topics on the tentative agenda relating to investment companies and investment advisers are as follows: (1) Mutual Fund Disclosure - The discussion will include (a) simplification of prospectuses for money market funds, (b) NASAA's proposed guidelines for disclosure of investment companies' investments in high yield or "junk" bonds and the risks associated with such investments, and (c) the steps conferees are taking to examine and improve the clarity and adequacy of mutual fund prospectuses in general. (2) Personal Trading by Portfolio Managers - The conferees will discuss the extent to which managers of mutual fund portfolios trade for their own accounts, any abuses that may be associated with the practice, and whether steps should be taken to curb the practice. (3) Bank Sales of Mutual Funds - The participants will discuss any concerns raised by sales of mutual funds and other securities on financial institution premises, and possible regulatory, examination, or other responses available to the SEC, the self-regulatory organizations and the states. The discussion will focus on issues relating to advertising of securities products and activities, ensuring proper sales practices by persons selling securities on bank premises, and methods to reduce any confusion that exists among bank customers between insured deposits and uninsured investments in mutual funds and other securities. (4) "Off-the-Page" Prospectuses - The agenda includes the SEC's proposed revision to Rule 482(g) under the Securities Act to permit advertisements

for certain mutual funds to include an order form if they contain specified disclosures and comply with other requirements. Conference will discuss the roles of the SEC, state regulators, and the National Association of Securities Dealers will play in monitoring these prospectuses. (5) Derivatives - The discussion will include application of federal and state securities laws to derivative instruments as well as disclosure issues relating to such issuances and investments. (6) "Wrap-Fee" Program Disclosures - Both the SEC and NASAA have issued for comment a proposal to amend Form ADV with respect to the disclosure requirements of investment advisers that sponsor wrap-fee programs. The conference will discuss this proposal and the comments the SEC has received thereon. (7) Federal Investment Adviser Legislation - The conferees will discuss the status of federal legislation to amend the Investment Advisers Act of 1940 and SEC rule proposals relating to the legislation. Additionally, the conferees will discuss the effect the legislation might have upon proposed joint SEC and state action, including efforts to: (a) identify unregistered investment advisers; (b) amend Form ADV; and (c) establish a "one-stop" filing system allowing advisers to make one filing that would be transmitted electronically to the SEC and the states. (8) Regulation of Broker-Dealers - Possible discussion topics under this general heading include sales practices of broker-dealers with respect to mutual funds and disclosure of front-end sales loads on mutual fund confirmations. A copy of the SEC Release is attached. Written comments must be received by the SEC on or before April 15, 1994 in order to be considered by the conference attendees. Please provide me with any comments you would like included in the Institute's comment letter by Friday, April 7, 1994. My direct telephone number is (202) 326-5821. My fax number is (202) 326-5828. Patricia Louie Associate Counsel Attachment