

MEMO# 7402

November 9, 1995

DRAFT INSTITUTE LETTER ON SEC INTERPRETATION AND RULE PROPOSALS ON USE OF ELECTRONIC MEDIA FOR DELIVERY PURPOSES

1 See Memorandum to SEC Rules Committee No. 109-95, Subcommittee on Advertising No. 19-95 and Technology Advisers Roundtable, dated October 10, 1995. November 9, 1995
TO: SEC RULES COMMITTEE No. 118-95 SUBCOMMITTEE ON ADVERTISING No. 22-95
TECHNOLOGY ADVISORS ROUNDTABLE RE: DRAFT INSTITUTE LETTER ON SEC
INTERPRETATION AND RULE PROPOSALS ON USE OF ELECTRONIC MEDIA FOR DELIVERY
PURPOSES

Attached for your review is a draft of the Institutes comment letter on the Securities and Exchange Commissions interpretation and proposed rules related to the electronic delivery of information under the securities laws.¹ The letter expresses strong support for the SECs interpretation and proposed rules and its initiative in assisting and encouraging market participants in using electronic media. The letter requests clarification of several of the principles related to notice, access and delivery discussed in the interpretive release. Most notably, it recommends a more flexible approach to notifying shareholders of updates and amendments to electronic documents. It recommends that the "comparable access" standard described in the release encompass the use by funds of background software for the formatting and displaying of electronic documents. In addition, it recommends that electronic confirmations of purchases and sales of mutual fund shares be permitted. The letter also seeks clarification of several issues related to electronic advertising, including the application of the advertising rules to electronic bulletin boards and "chat rooms." In commenting on electronic bulletin boards, the letter discusses only the application of the advertising rules to communications by members of the public. As you review the letter, please consider whether it also should discuss the application of these rules to communications by the funds who sponsor bulletin boards. Finally, the letter seeks clarification of the proposed rule amendments related to formatting of documents; proposes several alternatives to the proposed rule change related to narrative descriptions of graphic, image and audio information on EDGAR; and requests that forms TA-1 and TA-2 be included in the EDGAR filing system. Comments are due to the SEC by November 27th. Therefore, please provide me with your comments on the draft letter by Friday, November 17, 1995. My direct number is 202/326-5923. Alexander C. Gavis Assistant Counsel

Attachment

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