INVESTMENT COMPANY INSTITUTE

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SUBMISSION OF INSTITUTE'S RISK DISCLOSURE RESEARCH AND SUPPLEMENTAL COMMENT LETER TO THE SEC

April 9, 1996 TO: BOARD OF GOVERNORS No. 14-96 CLOSED-END FUND COMMITTEE No. 11-96 DIRECT MARKETING COMMITTEE No. 9-96 MARKETING POLICY COMMITTEE No. 13-96 PUBLIC INFORMATION COMMITTEE No. 11-96 RESEARCH COMMITTEE No. 17-96 SALES FORCE MARKETING COMMITTEE No. 11-96 SEC RULES COMMITTEE No. 25-96 SHAREHOLDER COMMUNICATIONS COMMITTEE No. 7-96 RISK DISCLOSURE TASK FORCE RE: SUBMISSION OF INSTITUTE’S RISK DISCLOSURE RESEARCH AND SUPPLEMENTAL COMMENT LETER TO THE SEC

____ The Institute recently submitted a supplemental comment letter to the Securities and Exchange Commission in response to the Commissions concept release on investment company risk disclosure. The Institutes letter also enclosed our comprehensive research entitled "Shareholder Assessment of Risk Disclosure Methods." Attached is a copy of the Institutes supplemental comment letter and research report. Based on the results of this research, the Institutes supplemental comment letter recommends that the Commission adopt the ten-year bar graph and more focused narrative disclosure requirements. In addition, the letter urges that the Commission avoid the pitfalls of a mandated, numerical risk measurement. The findings of the Institutes research include the following: Mutual fund investors care about risk and typically inquire about risk before making fund purchases. Notions of "risk" differ among shareholders and risk appears to be a multifaceted concept for most shareholders. Investors find narrative disclosure useful to their evaluation of risk. For example, 51% of respondents stated that they are very confident of their ability to use narrative disclosure to assess the risk of a single fund. Graphic presentation also would help investors. For example, 51% of respondents stated that they are very confident of their ability to use a ten-year total return bar graph to compare the risks of several funds. Quantitative risk measurements would complicate an evaluation of mutual fund risk for most investors. Most investors -- including those who have used quantitative risk measurements -- are not very confident of their ability to use these measurements in the future. Quantitative risk measurements have a strong potential to confuse or mislead investors. For example, the short-term volatility measured by standard deviation or beta is not particularly relevant for long-term investors. Yet a significant percentage of investors who rely upon these measurements are long-term investors. For further information about the Institutes research report, or for more copies of the report, please call Vicki Leonard-Chambers at 202/326-5918. Matthew P. Fink President Attachment