

MEMO# 1121

April 20, 1989

INSTITUTE COMMENTS ON SEC PROPOSED AMENDMENTS TO SECTION 16 RULES

April 20, 1989 TO: UNIT INVESTMENT TRUST MEMBERS NO. 24-89 RE: INSTITUTE
COMMENTS ON SEC PROPOSED AMENDMENTS TO SECTION 16 RULES

_____ In December, the SEC proposed a number of substantive changes to the rules under section 16 of the Securities Exchange Act of 1934. Under that statutory provision, a beneficial owner of more than ten percent of any class of equity security registered under section 12 of the Exchange Act is treated as an insider subject to the reporting obligations of section 16(a) and the short swing profit recovery rules of section 16(b). The proposed rules include a new two part definition for determining beneficial ownership. Either or both of these proposed rules could be interpreted to attribute more than ten percent beneficial ownership to sponsors of unit investment trusts investing in equities. Under the first proposed rule, a unit trust sponsor could be deemed to be a more than ten percent beneficial owner of a specific security pursuant to an attribution analysis under section 13(d) of the Exchange Act. The second test could attribute to a unit trust sponsor ownership of any security in which he were deemed to have a direct or indirect pecuniary interest. In the attached comment letter, the Institute requests clarification of the proposed rules relating to the determination of ten percent beneficial ownership to exclude from attribution to a UIT sponsor those shares held by a unit trust or a discretionary account managed by the sponsor in the ordinary course of his business, provided that the shares were not acquired for the purpose of influencing or exercising control. In addition, the letter requests clarification of the rules to provide that a unit trust sponsor does not have a sufficient pecuniary interest in the securities held by a unit trust to be deemed their beneficial owner. We will keep you informed of developments. Catherine L. Heron Deputy General Counsel Attachment