

MEMO# 6128

August 12, 1994

WISCONSIN PROPOSES AMENDMENTS TO ADMINISTRATIVE RULES INCLUDING A STREAMLINED REGISTRATION PROCESS FOR MUTUAL FUNDS

August 12, 1994 TO: BANK INVESTMENT MANAGEMENT MEMBERS NO. 26-94 CONTRACTUAL PLANS COMMITTEE NO. 11-94 SEC RULES COMMITTEE NO. 88-94 STATE LIAISON COMMITTEE NO. 43-94 UNIT INVESTMENT TRUST COMMITTEE NO. 54-94 RE: WISCONSIN PROPOSES AMENDMENTS TO ADMINISTRATIVE RULES INCLUDING A STREAMLINED REGISTRATION PROCESS FOR MUTUAL FUNDS

The Institute is pleased to inform you that the Office of the Wisconsin Securities Commissioner recently issued for public comment the attached package of proposed amendments to the Administrative Rules of the Wisconsin Commissioner of Securities, which includes a new rule that would create an exclusion from the existing merit and disclosure requirements for certain qualified mutual funds. This new provision, SEC. 3.09(7), provides that mutual funds meeting the requirements for the "blue chip" exemption from registration (i.e., the issuer is advised by an investment adviser that has been registered for at least three years and the adviser has advised mutual funds for at least three years) need not comply with the investment restrictions or disclosure requirements set forth in SEC 3.09. Please note that although the proposed new rule is based upon the criteria for the "blue chip" exemption, mutual funds must continue to register their securities for sale in Wisconsin and comply with all other registration requirements. (See pages 11-13.) In addition, an amendment to SEC 3.23(3) has been proposed, which provides that a prospectus meeting the requirements of Form N-1A (as well as subsequent post-effective amendments) will be deemed to meet the "disclosure of all material facts" requirement. This proposed amendment is based upon the premise that the Securities and Exchange Commission has the primary regulatory authority over mutual fund disclosure and that these documents need not be subject to a separate review by the Wisconsin Commissioner's Office. (See pages 15-16.) For the past several months, the Institute has been closely working with the Wisconsin Securities Commissioner on the possibility of revising the registration review process and we strongly encourage members to submit letters and/or testify at the public hearing in support of these proposals. A public hearing has been scheduled for Tuesday, September 27, 1994 at 10:00 a.m. in Room 213 Southeast of the State Capitol, Madison, Wisconsin. Written comments on the proposal must be received by the date of the hearing. The following briefly summarizes certain of the other proposals contained in the proposed amendments. 1. Exemption for Resales of Unit Investment Trusts - A new rule, SEC 2.02(9)(n), has been proposed, which would create an exemption for resales by sponsors of unit investment trusts provided

certain conditions are met. (See pages 7-8.) 2. Repeal of the "NASAA Guidelines for Registration of Periodic Payment Plans" - An amendment to SEC 3.01(3) has been proposed that would repeal the Office of the Securities Commissioner's prior adoption of the NASAA Guidelines. (See pages 10-11.) 3. Sales of Mutual Funds on Financial Institution Premises - SEC 4.05(9)(c) has been proposed to be amended to require that advertising and other promotional materials used by a broker-dealer on financial institution premises must disclose the name of the broker-dealer providing the securities services "no less prominently" than the name of the financial institution. The proposed amendment would also prohibit the use of materials that would display the name of the financial institution's name or logo in a manner that would mislead customers as to the financial institution's role in offering the securities services. (See pages 23-25.) An amendment to SEC 4.05(9)(e) has also been proposed that would require brokers to disclose to customers, prior to or at the time of opening an account, that the securities services are provided by the broker-dealer and not by the financial institution and that the securities transactions are not subject to bank deposit insurance protection. (See pages 25-26.) 4. Prohibited Business Practices - SEC 4.06(1)(d) has been proposed to be amended to create an exception to the "unauthorized trading" prohibition by permitting the use by a broker-dealer of a negative response letter that conforms with Article III, Section 35 of the Rules of Fair Practice of the National Association of Securities Dealers. (See page 27.) * * * As noted above, comments on the proposed amendments are due no later than September 27, 1994 and should be submitted to Daniel J. Eastman, Commissioner, Office of the Commissioner of Securities, 101 East Wilson Street, Fourth Floor, Post Office Box 1768, Madison, Wisconsin 53701. Persons wishing to testify at the public hearing should contact Randall E. Schumann, General Counsel of the Office of the Commissioner of Securities, at 608/266-3414 no later than September 23, 1994. Please contact the undersigned at 202/326-5821 or Tamara Cain at 202/326-5825 with any comments you would like incorporated in the Institute's comment letter no later than Friday, September 15, 1994. Patricia Louie Associate Counsel
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