

**MEMO# 1163**

May 16, 1989

## **MEETING WITH NASAA'S REGULATED INDUSTRIES COORDINATION COMMITTEE**

May 16, 1989 TO: STATE LIAISON COMMITTEE NO. 8-89 RE: MEETING WITH NASAA'S REGULATED INDUSTRIES COORDINATION COMMITTEE

On April 6, 1989, staff members of the Institute and Lee Augsberger, Van Kampen Merritt, a member of the State Securities Committee, met with NASAA's Regulated Industries Coordination Committee. Committee Chairperson, Ellyn Brown of the Maryland Division of Securities, invited the Institute to discuss the regulation and operation of the mutual fund industry with the Committee. The Institute reviewed the substantive requirements under the Investment Company Act of 1940 and briefly highlighted the requirements under other federal securities laws for mutual funds. In addition, the Institute described the responsibilities and functions of a fund's directors/trustees, investment adviser, underwriter and custodian. During the meeting, the Committee discussed their concerns with an apparent increasing number of mutual funds that fail to renew their annual registration on a timely basis. As a result of repeated late renewal problems, the Committee indicated that some states are assessing substantial fines and penalties against such funds. The Committee is concerned that the fines and penalties are being paid from assets of the funds. The Institute stated that it is unaware of any fund using its assets to pay a fine or penalty, however, we indicated our willingness to work with the Committee to develop an appropriate solution to the problem. In addition, the Institute urged the Committee to encourage the states to review the facts and circumstances of each instance of late renewal before assessing a fine or penalty. We will keep you informed of developments. Natalie S. Shirley Associate General Counsel