

MEMO# 5024

August 2, 1993

INSTITUTE'S SUPPLEMENTAL COMMENT LETTER ON SEC SUMMARY PROSPECTUS PROPOSAL AND THE TRUTH IN SAVINGS ACT

August 2, 1993 TO: BOARD OF GOVERNORS NO. 68-93 DIRECT MARKETING COMMITTEE NO. 41-93 SEC RULES COMMITTEE NO. 71-93 SUBCOMMITTEE ON ADVERTISING NO. 15-93 RE: INSTITUTE'S SUPPLEMENTAL COMMENT LETTER ON SEC SUMMARY PROSPECTUS PROPOSAL AND THE TRUTH IN SAVINGS ACT

As we previously informed you, the Institute submitted a comment letter to the Securities and Exchange Commission in support of its proposal to permit investors to purchase mutual fund shares from a summary prospectus. (See Memorandum to Board of Governors No. 55-93, Direct Marketing Committee No. 35- 93, SEC Rules Committee No. 56-93, and Subcommittee on Advertising No. 14-93, dated June 24, 1993.) The Institute recently submitted a supplemental comment letter to address the competitiveness concerns raised by bank trade associations and banks that are subject to the Truth in Savings Act. These bank commenters complained that it would be unfair for the Commission to permit "incomplete" summary prospectus disclosure for mutual funds while the Truth in Savings Act requires full disclosure for bank savings accounts. The Institute's letter states that this analysis is fundamentally flawed in three respects. First, it disregards the fact that under the proposal investors would continue to receive full disclosure as well as substantial additional protections that still would be unavailable to purchasers of bank products. Second, the analysis fails to recognize that banks had refused to provide their customers with full disclosure about fees and restrictions on their accounts until Congress intervened with enactment of the Truth in Savings Act. Finally, it ignores the fact that the investor protection scheme under the Truth in Savings Act is less stringent than the scheme that the Commission would impose under the summary prospectus proposal. Craig S. Tyle Vice President - Securities Attachment