

MEMO# 1580

December 11, 1989

INSTITUTE PROPOSES UNIFORM PERFORMANCE ADVERTISING RULES FOR UNIT INVESTMENT TRUSTS

December 11, 1989 TO: BOARD OF GOVERNORS NO. 73-89 SEC RULES MEMBERS NO. 68-89 UNIT INVESTMENT TRUST MEMBERS NO. 67-89 CLOSED-END FUND MEMBERS NO. 66-89 ACCOUNTING/TREASURERS COMMITTEE NO. 54-89 BROKER/DEALER ADVISORY COMMITTEE NO. 55-89 JOINT TASK FORCE ON UIT YIELD YIELD IMPLEMENTATION TASK FORCE RE: INSTITUTE PROPOSES UNIFORM PERFORMANCE ADVERTISING RULES FOR UNIT INVESTMENT TRUSTS _____ The Institute has submitted to the Division of Investment Management a proposal for uniform performance advertising rules for unit investment trusts. The proposal was developed by a subcommittee of the Institute's Unit Investment Trust Committee and reviewed by a joint task force consisting of unit investment trust and mutual fund members. The proposal includes a standard formula for calculating a market value weighted average yield for a unit investment trust, called "estimated long term return". The formula is similar to that for mutual funds, although it is prospective in nature. In addition, the proposal would permit a unit investment trust to include a quotation of estimated current return in advertisements. The proposal also recommends changes to the mutual fund advertising rules, including that funds be allowed to include a distribution number in advertisements. The proposal also recommends changes in the manner in which a mutual fund calculates yield on tax-exempt market discount securities. This proposal differs from, and supersedes, an earlier request made in January 1989. Attached is a copy of the Institute's proposal. We will keep you informed of developments. Craig S. Tyle Associate General Counsel Attachment