

MEMO# 1172

May 19, 1989

CALIFORNIA EXPENSE LIMITATION COMMENT LETTER

May 19, 1989 TO: SMALL FUNDS COMMITTEE NO. 5-89 RE: CALIFORNIA EXPENSE
LIMITATION COMMENT LETTER _____ As
you know, the California Department of Corporations recently proposed to amend the
expense limitation rule imposed on mutual funds. (See Memorandum to State Securities
Member No. 9- 89, dated March 8, 1989.) Attached is a copy of the Institute's comment
letter to the Department. The Institute commented that the proper course of action would
be to repeal or suspend the rule rather than adjust it as conditions and circumstances
change. However, in the event the Department does not decide to repeal or suspend the
rule, the Institute requested that the proposed rule be clarified to require expense limitation
reports only from funds that must reduce or rebate advisory and management fees or
which are relying on an order of exclusion. In addition, the Institute requested that the
Department continue to grant liberal waivers from the rule. We will keep you informed of
developments. Natalie Shirley Associate General Counsel Attachment

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