

MEMO# 6307

October 18, 1994

NASAA SALES PRACTICES COMMITTEE URGES SEC STAFF TO REQUIRE CONFIRMATION DISCLOSURE OF FRONT- END LOADS

October 18, 1994 TO: OPERATIONS COMMITTEE NO. 30-94 SEC RULES COMMITTEE NO. 109-94 TRANSFER AGENT ADVISORY COMMITTEE NO. 43-94 RE: NASAA SALES PRACTICES COMMITTEE URGES SEC STAFF TO REQUIRE CONFIRMATION DISCLOSURE OF FRONT-END LOADS _____ As we previously informed you, in July 1994, the Institute submitted a letter to the staff of the Securities and Exchange Commission strongly opposing the staff's proposal to withdraw a 1979 no-action letter issued to the Institute that provides, in essence, that mutual fund confirmations do not have to include disclosure of sales charges. (See Memorandum to Operations Committee No. 17-94, SEC Rules Committee No. 81-94, and Transfer Agent Advisory Committee No. 28-94, dated July 21, 1994.) The proposal by the SEC staff was issued shortly after the North American Securities Administrators Association ("NASAA") suggested by letter that the staff withdraw its previous no-action position. In a letter to the SEC staff dated September 29, 1994, the NASAA Investment Companies Sales Practices Committee took exception with statements made in the Institute's July letter to the staff. In particular, the Committee's letter states that the Committee: (1) disagrees with the Institute's view that the prospectus fee table allows investors to understand various sales charge structures associated with funds; (2) is not persuaded that the costs attendant to including transaction-specific front-end sales charge disclosure on the confirmation "would prove so prohibitive as to outweigh the benefit thus conferred;" and (3) believes that developments in the distribution and pricing practices in the mutual fund industry since 1979 have resulted in greater choices available to investors and concomitantly greater confusion among investors, thus necessitating disclosure of front-end sales charges on the confirmation. The letter further indicates that, in addition to front-end sales charge disclosure, a uniform legend such as that proposed by the Institute "may well merit serious consideration." A copy of the letter from the NASAA Committee is attached. Frances M. Stadler Associate Counsel Attachment