

MEMO# 11805

April 12, 2000

LETTER TO SEC REGARDING STAFF'S CONSIDERATION OF PROFILE TO SUPPORT ADDITIONAL INVESTMENTS BY EXISTING SHAREHOLDERS

[11805] April 12, 2000 TO: SEC RULES COMMITTEE No. 57-00 RE: LETTER TO SEC REGARDING STAFF'S CONSIDERATION OF PROFILE TO SUPPORT ADDITIONAL INVESTMENTS BY EXISTING SHAREHOLDERS

_____ In his remarks at the Mutual Funds and Investment Management Conference in California last month, Paul Royce, the Director of the Division of Investment Management, stated that the staff is currently considering whether the fund profile could be used in lieu of the full prospectus as a more effective way of communicating updated information to existing shareholders. The Institute submitted the attached letter to Paul Royce yesterday to express our support for the staff's exploration of using the profile for this purpose. Specifically, our letter states that giving funds the option of sending the profile to existing shareholders would provide them with updated fund information in a format that they are likely to read. Additionally, the letter notes that while there is no requirement under the federal securities laws for funds to send an updated prospectus annually to existing shareholders, many funds do so to avoid having to track which investors have received an updated prospectus, and to facilitate compliance with the requirement that supplemental sales literature be preceded or accompanied by the full statutory prospectus. The letter agrees that permitting such use of the profile could result in significant cost savings to funds and their shareholders. Doretha VanSlyke Zornada Assistant Counsel Attachment

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