

MEMO# 7778

April 10, 1996

COMMENTS REQUESTED FOR 1996 CONFERENCE ON UNIFORMITY OF FEDERAL-STATE SECURITIES REGULATION AGENDA

April 10, 1996 TO: INVESTMENT ADVISERS COMMITTEE No. 6-96 SEC RULES COMMITTEE No. 26-96 STATE LIAISON COMMITTEE No. 9-96 UNIT INVESTMENT TRUST COMMITTEE No. 13-96
RE: COMMENTS REQUESTED FOR 1996 CONFERENCE ON UNIFORMITY OF FEDERAL-STATE SECURITIES REGULATION AGENDA

Since 1983, the Securities and Exchange Commission ("SEC") and the North American Securities Administrators Association ("NASAA") have held an annual conference pursuant to Section 19(c) of the Securities Act of 1933. Consistent with Section 19(c), this conference is intended to increase uniformity in matters concerning state and federal regulation of securities, maximize the effectiveness of securities regulation in promoting investor protection, and reduce the burdens on capital formation through increased cooperation between the SEC and the state securities regulatory authorities. This year's conference will be held on April 29, 1996 in Washington, D.C. The SEC and NASAA currently are in the process of formulating the agenda for the conference and have requested the submission of written comments on the topics on the tentative agenda, including the following relating to investment companies and investment advisers: 1. H.R. 3005 -- Although the issue of the legislation was raised in the context of ULOE, the tentative agenda notes that conferees will discuss the possible impact of H.R. 3005 on state-federal cooperation in general and whether there are alternative exemptive methods that might be suitable for coordination among the states and the SEC. 2. Mutual Fund Disclosure -- The conferees are expected to discuss issues related to (a) risk disclosure; (b) the "profile prospectus" initiative; (c) the electronic delivery of information to investors; (d) the recommendations of the Task Force on Disclosure Simplification and the prospectus simplification initiative of the SEC's Division of Investment Management; and (e) the simplification of money fund prospectuses. 3. Investment Advisers -- Conference participants will also discuss legislative proposals that would delegate certain registration and examination responsibilities to state regulators, while reserving for the SEC exclusive responsibilities for larger investment advisers. 4. Electronic Delivery -- The tentative agenda includes a discussion of a SEC interpretive release and related rule proposals addressing the use of electronic media to deliver or transmit information, including prospectuses and confirmations, under the federal securities laws. In addition, the conferees will consider various issues related to communications via the Internet, including: cyberfraud; securities offerings through the Internet; industry retention of electronic records and communications; security; unregistered and unregulated

activities conducted through the Internet; foreign exchange and foreign financial sector access to the U.S. through electronic media; and industry and investor education about the use of electronic media. 5. Derivatives -- Conference participants will discuss amendments proposed by the SEC that would supplement disclosures about derivatives and other financial instruments, which are currently required by generally accepted accounting principles and SEC rules, and discuss making this information more useful to readers assessing the market risk associated with these instruments. Conferees will also discuss the application of federal and state securities laws to derivatives and other market sensitive instruments. 6. Municipal Securities Disclosure -- Conferees will discuss several letters by the SEC's Division of Market Regulation regarding the application of amendments to Rule 15c2-12, relating to required disclosure in connection with municipal securities offerings, and other matters with respect to municipal securities. 7. Regulation of Broker-Dealers -- Conference participants will discuss the redesign of the CRD system and its implementation, as well as the status of discussions concerning disclosure of customer complaints. In addition, conferees will discuss: proposed amendments to the books and records requirements of Rules 17a-3 and 17a-4 of the Securities Exchange Act of 1934; the NASDs revised rule proposal that would govern the conduct of member firms operating on financial institution premises; the NASAA amendment to the Uniform Securities Act that would permit Canadian broker-dealers to effect transactions for Canadian citizens temporarily residing in the U.S. if certain conditions are satisfied; amendments to the trading practices rules; and the recommendations of the NASDs Arbitration Policy Task Force. The conferees will evaluate current continuing education programs for registered persons and efforts of the permanent Council on Continuing Education to revise and expand the programs. In addition, the participants will consider the results of and recommendations from the regulatory sales practice examination sweep conducted in November 1995 by the SEC, NASD, NYSE and NASAA and will discuss the Memorandum of Understanding concerning the coordination of examinations of broker-dealers. 8. Investor Education -- Conferees will discuss potential joint projects to advance investor education. A copy of the SEC Release announcing the upcoming conference is attached. Written comments must be received by the SEC on or before April 25, 1996 in order to be considered by the conference attendees. Please provide me with any comments you would like included in the Institutes comment letter by Monday, April 22, 1996. My direct telephone number is (202) 326-5813 and my fax number is (202) 326-5828. Marguerite C. Bateman Assistant Counsel
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