

MEMO# 2291

October 26, 1990

STAFF ISSUES LETTER ON USE OF "GUARANTEED" AND "INSURED" IN FUND NAMES

October 26, 1990 TO: MEMBERS - ONE PER COMPLEX NO. 48-90 SEC RULES MEMBERS NO. 74-90 UNIT INVESTMENT TRUST MEMBERS NO. 69-90 RE: STAFF ISSUES LETTER ON USE OF "GUARANTEED" AND "INSURED" IN FUND NAMES

_____ In the attached letter, which has been sent to investment company registrants, the Acting Director of the Division of Investment Management and the Director of the Division of Enforcement express the SEC's "serious concerns" over funds whose names imply that their shares are guaranteed or insured by the U.S. government. The letter notes that even if a majority of an investment company's assets are guaranteed or insured by the U.S. government, the securities issued by the investment company are not. The letter states that the Division of Investment Management will not accelerate the registration statement of a government fund that contains terms such as guaranteed or insured in its name and that it may recommend to the SEC that it issue an order refusing to permit any such registration statement to go effective. The letter also instructs funds whose names currently contain terms such as "guaranteed" or "insured" in conjunction with words such as "United States" or "U.S. Government" to take "immediate action to remove those words from their names." In addition, funds should ensure that their advertisements do not imply that their shares are guaranteed or insured by the U.S. government. The staff will consider recommending enforcement action against funds that continue to use these terms in their names or advertise in the manner described. Registrants are instructed to direct questions on the letter to Carolyn Lewis of Division of Investment Management. Craig S. Tyle Associate General Counsel Attachment