

MEMO# 8365

November 1, 1996

INSTITUTE COMMENT LETTER ON ADVISORY COMMITTEE ON CAPITAL FORMATION REPORT AND CONCEPT RELEASE

* See Memorandum to Close-End Fund Committee No. 33-96, Investment Issues Committee No. 10-96, SEC Rules Committee No. 105-96, dated Oct. 8, 1996; Memorandum to Closed-End Fund Committee No. 24-96, SEC Rules Committee No. 86-96, dated August 2, 1996. November 1, 1996 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 36-96 INVESTMENT ISSUES COMMITTEE No. 11-96 SEC RULES COMMITTEE No. 114-96 RE: INSTITUTE COMMENT LETTER ON ADVISORY COMMITTEE ON CAPITAL FORMATION REPORT AND CONCEPT RELEASE

As we previously informed you, the Securities and Exchange Commission has published for comment the Report of The Advisory Committee on the Capital Formation and Regulatory Processes and a related Concept Release.* The Institute has submitted the attached comment letter on these initiatives. The comment letter applauds the SEC for its initiatives to re-examine the capital raising process with respect to equity and debt securities. It states that the Advisory Committees proposal for a company registration system could help to address some of the problems and "metaphysics" of the current issuer registration process, including the distinctions found between private and public transactions. The letter includes the following specific comments. First, it recommends that, if a company registration system is proposed for the offering of debt securities, the SEC should ensure that investment companies and other purchasers continue to receive important pre-sale information. Second, it strongly supports the Commissions statements concerning the readability and informativeness of mutual fund profile prospectuses. Third, it recommends that any company registration system continue to maintain the liability standards currently applicable to securities offerings. Fourth, it recommends that, before implementing a company registration system, the SEC determine whether there would be any unintended effects upon rules and regulations applicable to investment companies and other regulated entities. Finally, the letter supports the use of a pilot program, followed by solicitation of public comment, to implement a company registration system. Alexander C. Gavis Assistant Counsel Attachment

should not be considered a substitute for, legal advice.