

MEMO# 1692

February 1, 1990

GUIDELINES FOR FUND NEWSLETTERS

February 1, 1990 TO: MEMBERS - ONE PER COMPLEX NO. 4-90 SEC RULES MEMBERS NO. 11-90 DIRECT MARKETING COMMITTEE NO. 4-90 PUBLIC INFORMATION COMMITTEE NO. 2-90 SALES FORCE MARKETING COMMITTEE NO. 4-90 SHAREHOLDER COMMUNICATIONS COMMITTEE NO. 3-90 NEWSLETTER COMMITTEE RE: GUIDELINES FOR FUND NEWSLETTERS

We are pleased to report that the SEC Division of Investment Management has responded affirmatively to an Institute letter that sets forth guidelines for fund newsletters. A copy of the Institute's letter and the staff's reply are attached. The guidelines are the product of a series of communications between the Institute and the staff. In December 1987, the staff distributed a letter to a large number of fund complexes requesting various information about their newsletters, including their legal status under the Securities Act of 1933. The Institute formed an ad hoc committee of members and submitted a memorandum prepared by outside counsel in July 1988 setting forth general conclusions about the legal status of newsletters. (See Memorandum to Members - One Per Complex No. 31-88, SEC Rules Members No. 37-88, Direct Marketing Committee No. 24-88, Public Information Committee No. 24-88, Shareholders Communications Committee No. 27-88 and Newsletter Committee, dated July 19, 1988.) Further communications between the Institute and the staff explored in greater detail the applicability of various rules under the Securities Act to fund newsletters. Among the more significant items contained in the guidelines are the following: -- Newsletters may contain both material permitted by Rule 134 (commonly referred to as "tombstone ads") and material permitted by Rule 482 (including performance ads). -- Each Rule 134 or Rule 482 unit must be segregated from other material in the newsletter and must include the appropriate legends. (Where more than one Rule 134 or Rule 482 unit appears on a single page, the legend need only appear once.) -- A single Rule 134 or Rule 482 unit may contain information concerning more than one fund. (Thus, a newsletter could include a performance table for several funds within a complex.) The material relating to each fund must be separate and distinct, so that it can be identified as referring to that fund. -- Newsletters may also contain non-offering material (also referred to as "free writing"). -- Newsletters generally should be filed with the NASD or SEC, as appropriate. The Institute is considering holding a meeting for Institute members to discuss implementation of the above guidelines. If you would be interested in attending such a meeting, please call Sue Burgess at 202/955-3513. Craig S. Tyle Associate General Counsel Attachment