

MEMO# 6842

April 7, 1995

""INVESTMENT COMPANY ACT AMENDMENTS OF 1995""

April 7, 1995 TO: CLOSED-END FUND COMMITTEE No. 18-95 SEC RULES COMMITTEE No. 54-95 RE: ""INVESTMENT COMPANY ACT AMENDMENTS OF 1995""

_____ House
Telecommunications and Finance Subcommittee Chairman Fields and Ranking Member Markey have introduced the "Investment Company Act Amendments of 1995". A copy of the bill, along with a section-by-section analysis, is attached. Among other provisions, the bill would: ` Modify the definition of "majority vote" under the Act to make it easier for funds to receive shareholder approval of actions, drop the requirement that shareholders approve the selection of independent accountants and add a requirement that shareholders approve changes in a fund's investment objective. ` Allow the SEC to permit mutual fund advertisements to contain information the "substance of which" is not included in the fund's prospectus. ` Establish an exemption under the Act for funds sold only to institutional investors and wealthy individuals that meet certain thresholds set forth in the bill. Consistent with the Institute's position, the SEC would not have the discretion to lower these standards. ` Require that all mutual funds have a majority of independent directors and that independent directors be self-nominating, and allow the independent directors to cancel an advisory contract. ` Establish an exemption from the statutory restrictions on "funds of funds" for certain funds that invest in affiliated funds, and allow the SEC broader authority to exempt other funds from the restrictions. ` Permit the SEC to require funds to maintain books and records beyond those related to the fund's financial statements (similar to the standard now applicable to books and records of registered investment advisers) and to specify the format of such records, after taking into account any burdens that may be imposed on smaller funds. ` Permit the SEC to require more frequent reports to it and to require information to be included in reports to shareholders. ` Permit the SEC to prohibit misleading fund names by rule or by order. ` Allow the establishment of "unified fee funds", which would be funds with relatively fixed expense ratios that would be exempt from certain provisions of the Investment Company Act. The Institute has issued a press release expressing general support for the bill (a copy of which is attached). Hearings on the bill are expected in May or June. If you have any comments on the legislation, please call me at 202-326-5815 or Amy Lancellotta at 202/326-5824 by Friday, April 21, 1995.
Craig S. Tyle Vice President and Senior Counsel Attachments