

MEMO# 1566

November 30, 1989

SEC CLARIFIES INTERIM YIELD GUIDELINES

November 30, 1989 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 81-89 RE: SEC CLARIFIES INTERIM YIELD GUIDELINES

_____ We have been informed that last week the staff refused to allow a new unit trust to go effective with estimated current return included in its prospectus where the trust's estimated current return was over 25 basis points higher than its internal rate of return. (The estimated current return was within a few basis points of its estimated long-term yield.) Previously, the staff had allowed similar trusts to go effective (with estimated current return included) provided that a statement of cash flows was also set forth in the prospectus. Although the trust in question was eventually allowed to go effective with both estimated current return and a statement of cash flows included in the prospectus, the sponsor was informed that the staff would no longer allow estimated current return to be included in similar cases in the future. As a result of the above, the Institute sought clarification from the staff and argued that the interim guidelines should not be changed, especially since the Institute would shortly be submitting its proposed rules on performance advertising. The staff replied that the person who had stated that the interim guidelines would be changed was in error and that no such change in policy had been made. Thus, in the case of trusts for which estimated current return is over 25 basis points (40 in the case of longer-term trusts) higher than internal rate of return, estimated current return may be included in the prospectus provided (1) it is within 25 (or 40) basis points of estimated long-term yield and (2) a statement of cash flows is included in the prospectus. Craig S. Tyle Associate General Counsel