

MEMO# 1616

December 22, 1989

PENNSYLVANIA ADOPTS OVERSALES POLICY

December 22, 1989 TO: STATE SECURITIES MEMBERS NO. 45-89 RE: PENNSYLVANIA ADOPTS OVERSALES POLICY _____ The Pennsylvania Securities Commission recently issued Corporation Finance Release 89-CF-7 that codifies the Commission's policy with respect to oversales of securities by mutual funds and unit investment trusts. The Commission has long taken the position that oversales constitute a violation of Section 201 of the Pennsylvania Securities Act of 1972 and may have required that a rescission offer be made to investors in the event of an oversale. In lieu of initiating an enforcement action for a Section 201 violation based on oversales, the staff of the Commission will accept an informal settlement with a mutual fund if a fund complies with the following: 1. pays, as costs of the investigation, fees that would otherwise have been due; and 2. files a representation with the Commission that a. payment of the costs of the investigation does not constitute retroactive registration, b. the oversales remain unregistered securities, and c. the issuer will comply with the registration requirements of the Pennsylvania Securities Act of 1972 in the future. Attached is a copy of the Commission's release. We will keep you informed of future developments. Patricia Louie Assistant General Counsel Attachment