

MEMO# 20063

May 22, 2006

ICI Files Letter Supporting MSRB's Proposed Interpretation of Customer Protection Obligations Relating to 529 Plan Sales

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20063] May 22, 2006 TO: 529 PLAN ADVISORY COMMITTEE No. 9-06 529 PLAN MEMBERS No. 8-06 RE: ICI FILES LETTER SUPPORTING MSRB'S PROPOSED INTERPRETATION OF CUSTOMER PROTECTION OBLIGATIONS RELATING TO 529 PLAN SALES As we previously informed you, the Securities and Exchange Commission recently published for comment interpretative guidance proposed by the Municipal Securities Rulemaking Board (MSRB) relating to disclosure obligations in connection with the sale of out-of-state 529 college savings plans.¹ The proposed guidance differed significantly from that originally proposed by the MSRB in May 2005, which the Institute strongly opposed. ² Based upon the revisions made to the previous guidance, the Institute filed the attached letter with the SEC supporting adoption of the proposed guidance, which is expected to be effective 60 days after the SEC's approval of it. The Institute's comment letter supports the revised version of the MSRB's guidance because, by requiring additional disclosure, it will enhance investor protection by better alerting investors to benefits offered by their home state's plan that may not be available in connection with the purchase of an out-of-state 529 plan. It will also remind investors that they may want to consider other relevant information or consult other financial professionals prior to making an investment decision. Importantly, this enhanced protection will not result in any of the disadvantages to investors or to the market for 529 plan securities that resulted in our opposition to the MSRB's previous guidance. Tamara K. Salmon Senior Associate Counsel

¹ See Institute Memorandum to 529 Plan Advisory Committee No. 8-06 and to 529 Plan Members No. 6-06 [No. 19955], dated May 2, 2006. ² See Institute Memorandum to 529 Plan Advisory Committee No. 17-05 [No. 18876] and to 529 Plan Members No. 7-05 [No. 18877], dated May 20, 2005, summarizing the MSRB's proposal. See Institute Memorandum to 529 Plan Advisory Committee No. 22-05 and 529 Plan Members No. 12-05 [No. 19063], dated Aug. 3, 2005 for a summary of the ICI's comment letter. ² Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 20063, or call the ICI Library at (202) 326-8304 and request the attachment for memo 20063.

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