

MEMO# 2908

July 2, 1991

OHIO PROPOSES AMENDMENTS TO REGISTRATION RULES

July 2, 1991 TO: STATE LIAISON COMMITTEE NO. 16-91 UNIT INVESTMENT TRUST
COMMITTEE NO. 25-91 RE: OHIO PROPOSES AMENDMENTS TO REGISTRATION RULES

For the past few years, the Institute has been working with the Ohio Securities Division on amendments to certain of its administrative rules, particularly with respect to retroactive registration of investment company securities. We are pleased to inform you that the Securities Division recently published for public comment the attached proposed rules. The following proposed rules relate to registration of mutual fund and unit trust securities: Amendments to Rule 1301:6-3-09 - Registration by Qualification (pages 12 through 17): (1) Paragraph (B)(2)(E) is a new provision that requires the issuer, during the period of effectiveness, to advise the division of any change in the stated investment policies, objectives or restrictions of the registration. The proposed rule does not set forth a time period in which the notification must be received by the division. (2) Paragraph (E) of the rule sets forth the restrictions relating to investment companies that apply regardless of the manner in which the securities are registered. Most of these provisions -- prohibited transactions, disclosure requirements, custodial arrangements, valuation, purchasing, borrowing, restrictions on transferability, sales load restrictions, expense limitation and redemption -- have not been substantively amended. However, subparagraph (h) of the proposed rule amends the diversification provision to prohibit the purchase of securities of any issuer, if as to 75% of the assets of the company at the time of the purchase, more than 10% of the voting securities of any issuer would be held by the company. In addition, it appears that subparagraph (l) amends the investment limitation to prohibit the investment of more than 10% of the company's total assets in only the securities of issuers with less than three years of operation; the current language prohibiting investment of more than 10% of the company's total assets in restricted securities appears to have been deleted. (3) Paragraph (H) of the rule sets forth the procedure for renewal of a mutual fund or registration of additional series of a unit trust. A mutual fund may renew its registration by submitting an application, the appropriate fee, a copy of its current prospectus, a statement setting forth any material change since the previous filing, a consent to service of process and a copy of each undertaking. A unit trust may register additional series of the trust by submitting an application, the appropriate fee, a copy of its preliminary prospectus, a consent to service of process a notice of effectiveness or automatic effectiveness and a copy of the final prospectus. Amendments to Rule 1301:6-3-391 - Retroactive exemption, qualification or registration (pages 33 through 35): The amendments to this rule set forth the procedure for retroactive registration. Paragraph (B)(7) of the rule has been added to specifically provide that an investment company may file an application to retroactively register securities due to "excusable neglect." The definition of "excusable neglect" includes the failure of an

investment company to file an application to register securities within six months of the earliest date of the sale of unregistered securities which had been previously registered with the division, or the failure to of an investment company to file an application to register a sufficient number of securities. It should be noted that this procedure for retroactive registration may be claimed no more than two times in a twelve month period by the issuer or its counsel unless the issuer or its counsel establishes, in writing, to the division that there is good cause to include the failure to timely or properly file within excusable neglect. * * * Please contact me by Friday, July 19, 1991 if you have any comments with respect to the proposed rules. A public hearing on the proposed rules will be held in Columbus, Ohio on July 30, 1991 at 10:00 a.m. We will keep you advised of developments. Patricia Louie Assistant General Counsel Attachment

Copyright © by the 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.