

MEMO# 4136

September 30, 1992

INSTITUTE COMMENTS ON PROPOSED WISCONSIN RULE AMENDMENTS

September 30, 1992 TO: STATE LIAISON COMMITTEE NO. 38-92 INVESTMENT ADVISERS COMMITTEE NO. 35-92 UNIT INVESTMENT TRUST COMMITTEE NO. 57-92 CONTRACTUAL PLANS COMMITTEE NO. 14-92 SUBCOMMITTEE ON ADVERTISING NO. 12-92 RE: INSTITUTE COMMENTS ON PROPOSED WISCONSIN RULE AMENDMENTS

As we previously advised you, the Office of the Wisconsin Securities Commissioner recently proposed for comment several revisions to the Administrative Rules of the Wisconsin Securities Commissioner (See Memorandum to Contractual Plans Committee No. 12-92, State Liaison Committee No. 32-92, Unit Investment Trust Committee No. 47-92, Subcommittee on Advertising No. 10-92, dated August 26, 1992 and Investment Adviser Committee No. 32-92, dated September 20, 1992.) The Institute submitted the attached comment letter to the Securities Commissioner on the proposed revisions. In its comment letter, the Institute supported the adoption of the proposed amendment to SEC 3.01(3), which would permit the sale of a contractual plan in Wisconsin if the offering complied with the provisions of the NASAA Guidelines for Registration of Periodic Payment Plans. The Institute also recommended that the proposed revision to SEC 4.03(3)(e) relating to the expansion of the recordkeeping requirements of branch offices of broker-dealers engaged solely in the sale of mutual fund or unit trust securities be modified. Inasmuch as it would be duplicative and very expensive to maintain a separate file of all advertising material in a branch office, the Institute recommended that the file contain copies of advertising material generated from the branch office and that all other material be available within twenty-four hours from the principal office. In addition, the Institute recommended that the requirement to maintain copies of customer statements be deemed to be satisfied if such records may be accessed by computer or may be produced in a reasonably prompt manner by other means from the mutual fund or unit trust's central office or transfer agent. The Institute further recommended that similar relief from the branch office recordkeeping requirements be extended to all broker-dealers and not just those involved solely in the offer and sale of mutual fund or unit trust securities. The Institute also submitted comments on proposed SEC 5.05(9), which would require each investment adviser that participates in a wrap fee arrangement with a broker-dealer to disclose to each customer under the arrangement that portion of the wrap fee that is attributable to advisory services. The Institute recommended that inasmuch as the adviser is not always the sponsor of the wrap fee arrangement and since the advisory fee is only one component of the wrap fee, that this proposal be modified to require the sponsor of the wrap fee arrangement, rather than the investment adviser, to provide disclosure to each customer. Finally, the Institute again requested that SEC 3.09(1)(b), which limits a mutual fund's investment in restricted and/or illiquid securities, be amended to permit a mutual fund to invest up to fifteen percent of its total assets in these

securities. The Institute also requested that SEC 3.09(1)(b) and SEC 3.10(1)(b) be amended to permit the investment in illiquid securities by an interval fund, extended payment fund or closed- end fund making periodic redemptions to the same degree as permitted under federal law. The Wisconsin Securities Commissioner will hold a hearing on October 1, 1992 on the proposed revisions. We will keep you advised of developments. Patricia Louie
Assistant Counsel Attachment

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