

MEMO# 4211

October 27, 1992

INSTITUTE SUBMISSION TO THE SEC ON "OFF-THE-PAGE SALES"

- 1 - October 27, 1992 TO: PENSION COMMITTEE NO. 40-92 RE: INSTITUTE SUBMISSION TO THE SEC ON "OFF-THE-PAGE SALES"

Attached is a copy of the Institute's submission to the SEC staff concerning its proposal to permit investors to purchase shares of a mutual fund directly in response to certain advertisements. The Institute's proposal would implement a recommendation of the SEC's Division of Investment Management in its study of reform of the Investment Company Act. As the submission notes, the approach recommended in the proposal would be especially appropriate in the context of employee communications concerning participant-directed defined contribution plans. The SEC Staff's Proposal As you may know, the Division's proposal generally would: (1) require that the new advertisements contain standardized, core information about the fund; (2) require that the statutory prospectus be delivered with the confirmation of the sale; (3) continue to permit investors to request the statutory prospectus before investing; and (4) treat the advertisements as prospectuses for purposes of liability under the Securities Act. The Institute's Submission The Institute's submission was developed by members of the Subcommittee on Advertising. It proposes to amend Rule 482 under the Securities Act to permit a new advertisement that could include a purchase application (which would be called a "summary advertising prospectus"). The proposal would require that the summary advertising prospectus contain core information that is material to an investment decision, such as information about the fund's investment objectives and policies, significant risk factors, and fees and expenses. The proposal also would permit the summary advertising prospectus to contain information other than that required by the rule. In addition to the changes to Rule 482, the Institute proposes that summary advertising prospectuses be pre-filed with - 2 - the NASD for one year after adoption of the rule. This provision would give the NASD time to review summary advertising prospectuses and establish standards for their use. We will keep you informed of developments. Kathy D. Ireland Associate Counsel - Pension Attachment KDI:bmb

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