

**MEMO# 6359**

November 8, 1994

# **SEC PROPOSAL TO REQUIRE LEGAL PROCEEDINGS DISCLOSURE IN INVESTMENT COMPANY PROSPECTUSES**

November 8, 1994 TO: CLOSED-END FUND COMMITTEE NO. 25-94 SEC RULES COMMITTEE NO. 119-94 UNIT INVESTMENT TRUST COMMITTEE NO. 72-94 RE: SEC PROPOSAL TO REQUIRE LEGAL PROCEEDINGS DISCLOSURE IN INVESTMENT COMPANY PROSPECTUSES

The Securities and Exchange Commission has proposed amendments that would expand the disclosure of legal proceedings required to be made in certain SEC filings and increase the reporting period for such disclosure from five to ten years. The SEC's proposal also would extend the disclosure requirements to investment company prospectuses and expand the disclosure of legal proceedings currently required in investment company proxy statements. A copy of the proposing release is attached. Under the proposal, investment company prospectuses would have to disclose involvement in certain legal proceedings by any director, executive officer, or advisory board member of an investment company, or any "managerial person" (as proposed to be defined) of its investment adviser. (In the case of a unit investment trust, the disclosure requirements would apply to each "managerial person" of the depositor.) The required disclosures would include certain actions taken during the past ten years against any of the persons noted above in bankruptcy or other insolvency proceedings, criminal proceedings, civil and administrative proceedings, and SRO proceedings. Disclosure would not be required if such action was subsequently reversed, suspended, vacated, annulled or otherwise rendered of no effect. The proposal also would require this disclosure in investment company proxy statements that involve the election of directors or seek approval of an investment advisory contract. Comments on the proposal must be filed by January 6, 1995. If there are issues you would like the Institute to consider addressing in its comment letter, please contact me at (202) 326- 5822 by Wednesday, November 30. Frances M. Stadler Associate Counsel Attachment