

MEMO# 1297

July 28, 1989

PERFORMANCE NUMBERS

July 28, 1989 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 39-89 RE: PERFORMANCE NUMBERS _____ This morning, representatives of the ICI and four UIT sponsors met with staff members of the SEC on the issue of UIT performance numbers. Late this afternoon, the staff sent to the ICI their proposed requirements for UIT performance. A copy of the proposal is attached. Our quick review indicates two major problems: (1) The proposal would require all new series that quote current return to also provide a yield quotation. As proposed, the yield would have to reflect "delays in payments to shareholders", which apparently requires use of an internal rate of return formula (see number 3). We understand that sponsors are not in a position to use this method on an immediate basis. (2) All existing series would have to supply the additional quotation on an annual basis, unless the discrepancy is "unreasonably large". (See number 8.) This would require sponsors to test every series on a daily basis. We raised those two problems with the SEC staff. As to the first problem, they asked sponsors to send them their proposed yield formula with explanations. As to the second problem, they asked the industry to suggest a method to identify existing series where the discrepancy is "unreasonably large." We will be arranging a conference call or meeting early next week.

Mary K. Bellamy Associate General Counsel
Craig S. Tyle Assistant General Counsel

Source URL: <https://icinew-stage.ici.org/memo-1297>

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.