

**MEMO# 3524**

February 18, 1992

## **NASAA COMMITTEE ISSUES "HUB AND SPOKE" DISCLOSURE LANGUAGE**

February 18, 1992 TO: SEC RULES COMMITTEE NO. 8-92 STATE LIAISON COMMITTEE NO. 4-92 RE: NASAA COMMITTEE ISSUES "HUB AND SPOKE" DISCLOSURE LANGUAGE

The NASAA Investment Company Registration/Trading Practices Committee recently issued cover page and prospectus disclosure language for states to use in reviewing applications for registration of "hub and spoke" funds. The NASAA Committee disclosure is identical to disclosure required by the Wisconsin Securities Commission and is an effort by NASAA to require uniform disclosure for these types of funds. A copy of the NASAA Committee disclosure as well as Wisconsin disclosure is attached. The NASAA Committee recommends that all states require the disclosure to be included in a fund's prospectus (both new applications as well as effective registrations). In addition, the NASAA Committee recommends that if a prospectus has been printed, registrants sticker the prospectus until it can be incorporated into the next printing. Undertakings to include the NASAA language in the next reprinting is not recommended. It should be noted that the NASAA Committee fee table disclosure differs from that required by the Securities and Exchange Commission. The NASAA disclosure requires separate disclosure for all fees and expenses charged by the hub as well as those charged by the spoke. In contrast, the SEC requires disclosure of the aggregate fees and expenses charged by both the hub and spoke. Prior to receipt of the NASAA Committee language, the Institute submitted a memorandum to the NASAA Committee outlining the organizational structure of hub and spoke funds and the basic tax issues involved in such fund structures. A copy of the Institute's memorandum is attached. The Institute will be contacting the NASAA Committee to discuss its concerns with the NASAA Committee disclosure in the near future. Please contact me at (202) 955-3517 if you have any comments regarding the disclosure language. We will keep you advised of developments. Patricia Louie Assistant General Counsel Attachments