

MEMO# 2510

January 31, 1991

INSTITUTE ASKS NEW JERSEY TO RECONSIDER REQUIRING DISTRIBUTION OF STATEMENT OF ADDITIONAL INFORMATION TO INVESTORS

January 31, 1991 TO: STATE SECURITIES MEMBERS NO. 7-91 SEC RULES COMMITTEE NO. 9-91 RE: INSTITUTE ASKS NEW JERSEY TO RECONSIDER REQUIRING DISTRIBUTION OF STATEMENT OF ADDITIONAL INFORMATION TO INVESTORS

The Institute was recently advised that the New Jersey Securities Bureau had taken the position that the disclosure contained in a mutual fund prospectus was inadequate without the statement of additional information ("SAI"). Therefore, according to the Bureau, either the information contained in the SAI had to be included in the prospectus or the SAI had to be distributed with the prospectus to New Jersey investors. The Institute wrote to the Bureau stating that this position was contrary to the requirements of the Securities and Exchange Commission. Further, it also frustrates the intent and purpose of Form N-1A which was adopted to simplify and shorten the disclosure to prospective mutual fund investors. The letter reiterated the Institute's belief that in order to provide meaningful disclosure to investors, a fund prospectus must remain short and readable and that additional detailed information not be given to investors unless requested. The Institute therefore requested that the Bureau reconsider its position and cease requiring mutual fund sponsors to either include the information contained in the SAI in the prospectus or provide the SAI to investors with the prospectus. * * * A copy of the Institute's letter is attached. We will keep you advised of developments. Patricia Louie Assistant General Counsel Attachment