

MEMO# 4199

October 22, 1992

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

October 22, 1992 TO: BOARD OF GOVERNORS NO. 76-92 SEC RULES COMMITTEE NO. 81-92
DIRECT MARKETING COMMITTEE NO. 41-92 RE: INSTITUTE'S SUBMISSION TO THE SEC ON
"OFF-THE-PAGE SALES" _____ Today
the Institute submitted to the SEC staff our proposal to permit investors to purchase shares
of a mutual fund directly in response to certain advertisements. The Institute's proposal
implements a recommendation of the Division of Investment Management in its study of
reform of the Investment Company Act. 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
which is required by the rule. In addition to the changes in Rule 482, we propose that
summary advertising prospectuses be pre-filed with the NASD for one year after adoption of
the rule. This provision would give the NASD time to review summary advertising
prospectuses and to establish standards for their use. We will keep you informed of
developments. Matthew P. Fink President Attachment