

MEMO# 3850

June 15, 1992

NASAA ISSUES PROPOSED POLICY STATEMENT FOR "TWO-TIER" FUNDS

June 15, 1992 TO: SEC RULES COMMITTEE NO. 41-92 STATE LIAISON COMMITTEE NO. 22-92
INSTITUTIONAL FUNDS COMMITTEE NO. 12-92 RE: NASAA ISSUES PROPOSED POLICY
STATEMENT FOR "TWO-TIER" FUNDS

The NASAA Investment Company Registration/Trading Practices Committee has been reviewing the disclosure guidelines the Committee drafted for two-tier funds (e.g. "hub and spoke" funds) which several states have been using in reviewing the applications for registration of these types of funds. The Institute has submitted two comment letters to the Committee with respect to certain of the items included in the disclosure guidelines. The SEC also submitted a memorandum to the Committee detailing the review of two-tier funds by the SEC. The SEC memorandum also sets forth specific comments regarding the Committee disclosure guidelines. As a result of the comments submitted by the Institute and SEC, the NASAA Committee revised the disclosure guidelines and issued the attached "Proposed Guidelines for the Registration of Master Fund/Feeder Funds" for public comment. The Proposed Guidelines incorporate several of the comments recommended by the SEC and the Institute and are a significant improvement over the initial disclosure guidelines. In particular, the Proposed Guidelines require narrative disclosure following the fee table which summarizes the expenses of the Portfolio and first-tier fund rather than a separate fee table for both funds as originally proposed by the Committee. The Proposed Guidelines also set forth certain areas where specialized disclosure may be appropriate. * * * Public comments are due on or before August 1, 1992 and should be mailed to Diane Young-Spitzer, Associate Director and General Counsel, Securities Division, J.W. McCormack Building, 17th Floor, Boston, Massachusetts 02108. Please call me at (202) 955-3517 with any comments you would like included in the Institute's letter by Friday, June 17, 1992. Patricia Louie Assistant Counsel Attachment