

**MEMO# 6054**

July 14, 1994

## **INSTITUTE URGES VERMONT TO RECONSIDER POLICY STATEMENT ON PROSPECTUS WRAPPERS**

July 14, 1994 TO: SEC RULES COMMITTEE NO. 78-94 STATE SECURITIES MEMBERS NO. 39-94 SUBCOMMITTEE ON ADVERTISING NO. 14-94 UNIT INVESTMENT TRUST COMMITTEE NO. 48-94 RE: INSTITUTE URGES VERMONT TO RECONSIDER POLICY STATEMENT ON PROSPECTUS WRAPPERS \_\_\_\_\_ As we previously advised you, the Vermont Securities Division recently issued Bulletin 94-1-S, which sets forth certain disclosure requirements for mutual fund prospectus wrappers that are used in Vermont. In particular, the Bulletin requires that the wrapper include a specific cover page legend and disclosure on each page of the wrapper that the wrapper is not part of the prospectus. (See Memorandum to State Securities Members No. 35-94, SEC Rules Committee No. 73-94, Unit Investment Trust Committee No. 47-94, and Subcommittee on Advertising No. 12-94, dated July 7, 1994.) The Institute wrote to the Securities Division to express its concerns with the Bulletin's requirements and to urge the Division to reconsider the necessity of the Bulletin. The Institute's letter notes that the federal securities laws and provisions of the Vermont Securities Division already address any potential confusion that might arise from the use of prospectus wrappers in a manner that is both flexible and effective. The letter further notes that the Bulletin overlooks two important purposes of prospectus wrappers, namely, to make certain that investors who receive sales literature receive the full prospectus and to enhance the readability of information contained in the prospectus. The letter also points out that the Bulletin leaves unanswered a host of interpretive issues, e.g., whether an alternate legend may be used, how the term "enclosed" will be interpreted, whether sales material must be stickered to meet the July 15 effective date. A copy of the Institute's letter is attached. We will keep you advised of developments. Patricia Louie Associate Counsel Attachment