The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

MEMO# 3353

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INSTITUTE LETTER ON PROPOSED LARGE TRADER REPORTING SYSTEM

December 12, 1991 TO: INVESTMENT ISSUES COMMITTEE NO. 22-91 SEC RULES COMMITTEE NO. 71-91 INVESTMENT ADVISERS COMMITTEE NO. 60-91 UNIT INVESTMENT TRUST COMMITTEE NO. 45-91 RE: INSTITUTE LETTER ON PROPOSED LARGE TRADER REPORTING SYSTEM ____ As we previously informed you, the SEC proposed Rule 13h-1 under the Securities Exchange Act, which would establish an activity-based large trader reporting system. (See Memorandum to SEC Rules Committee No. 52-91 and Investment Issues Committee No. 10-91, dated August 30, 1991; Memorandum to Investment Advisers Committee No. 44-91, dated September 12, 1991; and, Memorandum to Unit Investment Trust Committee No. 31-91, dated September 25, 1991). Attached is a copy of the Institute's letter on the proposal. In its letter, the Institute urged the Commission to repropose Rule 13h-1 because of the undue administrative burdens and costs it would impose upon persons subject to the proposal. The Institute also recommended specific changes to the proposal to reduce those burdens and costs. Specifically, the Institute recommended, among other things, that the aggregation rules under the proposal be amended to narrow the scope of persons that would be deemed large traders so that directors, officers and ten percent owners of an investment adviser or investment company that is a large trader would not be subject to the proposed Rule merely be virtue of their relationship with that entity. In addition, the Institute urged the Commission to revise the updating requirements of Form 13H, which would be required under the proposal to be amended within 10 days after any information therein becomes inaccurate. Instead, the Institute recommended that the Form be updated 45 days after the end of the large trader's fiscal year or, at the very least, within 10 days after the end of the month during which a change occurred which rendered any material information on the Form to become inaccurate. This would relieve the burden on investment advisers with discretionary accounts from having to file an amendment every time it gained or lost an account. The Institute also recommended that the schedules to proposed Form 13H be modified to require only pertinent information to which the large trader had access. With respect to other matters, the Institute recommended that: (1) unit investment trusts be exempt from the proposal, (2) an exit provision be included on Form 13H for persons that reasonably believe that they will no longer be within the scope of the definition of "large trader", (3) a sufficient transition period be provided to allow large traders to develop internal policies and procedures for compliance with the Rule, and (4) voluntary filings be permitted under the Rule so that persons who are likely to trigger the filing requirement, but have not yet done so, would not have to monitor their activities. We will keep you informed of developments. Amy B.R. Lancellotta Associate General Counsel Attachment