

MEMO# 1779

March 16, 1990

CALIFORNIA BILL REQUIRING DISCLOSURE BEFORE SALES OF MONEY MARKET FUNDS AND OTHER SECURITIES

March 16, 1990 TO: MONEY MARKET FUND CHIEF EXECUTIVE OFFICERS NO. 3-90 UNIT INVESTMENT TRUST COMMITTEE NO. 10-90 CALIFORNIA MEMBERS RE: CALIFORNIA BILL REQUIRING DISCLOSURE BEFORE SALES OF MONEY MARKET FUNDS AND OTHER SECURITIES _____ The Chairman of the California Senate Committee on Banking and Commerce has introduced a bill that would require all broker-dealers to provide prospective purchasers with a disclosure statement prior to the sale or offer of any securities not insured by an agency of the federal or state government. (The disclosure would state that the security is not insured by the FDIC or any other government agency.) Prospective purchasers would have to read and initial the statement (to acknowledge having read it) prior to the execution of any contract or receipt of any consideration for the purchase. The bill specially applies to "shares or participations in money market funds or local or state government bond funds". The bill is one of a series being introduced in response to the Lincoln Savings and Loan scandal. Another bill would prohibit the sale of all non-federally insured products in the offices of financial institutions unless prior regulatory approval has been granted and customers receive and sign similar disclosure statements. Hearings on the bill are scheduled for March 28. Copies of the bill and related press release are attached. Craig S. Tyle Associate General Counsel Attachment

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