

MEMO# 6866

April 18, 1995

INSTITUTE COMMENTS ON PROPOSED AMENDMENTS TO RULE 6C-10

1 See Memorandum to Accounting/Treasurers Committee No. 12-95, SEC Rules Committee No. 32-95 and Unit Investment Trust Committee No. 23-95, dated February 28, 1995. April 18, 1995 TO: ACCOUNTING/TREASURERS COMMITTEE No. 18-95 SEC RULES COMMITTEE No. 58-95 UNIT INVESTMENT TRUST COMMITTEE No. 42-95 RE: INSTITUTE COMMENTS ON PROPOSED AMENDMENTS TO RULE 6c-10

The Institute has filed a comment letter with the Securities and Exchange Commission concerning proposed amendments to Rule 6c-10 and related revisions to prospectus disclosure requirements.¹ A copy of the Institute's comment letter is attached. In its letter, the Institute expresses general support for the Commission's proposal which, among other things, would permit mutual funds to assess deferred sales loads other than contingent deferred sales loads (such as installment loads). In response to the Commission's requests for comments on certain specific matters, the letter: (1) recommends that the rule be modified to make it available to unit investment trusts; (2) suggests that funds be permitted to base deferred loads either on offering price or net asset value, but be required to express such loads as a percentage of offering price in the prospectus fee table; (3) supports the Commission's proposal to allow funds to impose deferred loads on reinvested dividends so long as such loads are disclosed in the prospectus; (4) proposes certain revisions to Rule 11a-3 to make it more flexible (consistent with Rule 6c-10 as proposed to be amended) and to accommodate exchanges involving funds that impose installment loads; (5) supports the Commission's proposed treatment of installment loads for purposes of advertising yield (but suggests that it may be appropriate to revisit this issue after further practical experience with installment loads is gained); and (6) opposes amending Form N-1A to add a specific requirement for funds that impose deferred sales loads to disclose the amount of commissions paid to dealers selling the fund's shares. (The letter notes that the NASD is actively considering the issue of disclosure of cash compensation paid to dealers for selling fund shares, and suggests that the question of the need to disclose commissions paid to dealers for selling deferred load funds is best addressed in that context.) Frances M. Stadler Associate Counsel Attachment

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