MEMO# 3758

May 7, 1992

DRAFT RESPONSE TO SEC STAFF LETTER PROPOSING MODIFICATIONS TO ELTR FORMULA

May 7, 1992 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 25-92 RE: DRAFT RESPONSE TO SEC STAFF LETTER PROPOSING MODIFICATIONS TO ELTR FORMULA ____ Attached for your review is a draft response to the April 10, 1992 letter from the staff of the Division of Investment Management proposing modifications to the Institute's proposed estimated long-term return ("ELTR") formula for unit investment trusts. (See Memorandum to Unit Investment Trust Committee No. 22-92, dated April 15, 1992.) As previously indicated, the staff's letter proposes revisions designed to reflect the fact that a UIT investor does not receive the amount of his sales charge back when his principal is returned at the end of the trust's life. The attached letter states that the staff's proposed approach is flawed because it would eliminate investors' ability to compare two similar investment vehicles: mutual funds and unit investment trusts. It further notes that if the staff's revised ELTR formula were adopted, unit investment trusts unfairly and inappropriately would be placed at a competitive disadvantage. The letter reiterates the Institute's view that despite the fact that unit investment trusts, unlike mutual funds, have a stated maturity, in actuality both products have indeterminate holding periods. For this reason, in the Institute's view, sales charges should receive the same treatment in both cases in connection with computing long-term performance. If you have any comments on the attached draft response to the staff, please call me at (202) 955-3514 by Friday, May 15. Frances M. Stadler Assistant General Counsel Attachment