

MEMO# 5211

October 6, 1993

MISSOURI PROPOSES NEW REGISTRATION PROCEDURE FOR INVESTMENT COMPANIES

October 6, 1993 TO: SEC RULES COMMITTEE NO. 87-93 STATE LIAISON COMMITTEE NO. 46-93 UNIT INVESTMENT TRUST COMMITTEE NO. 49-93 RE: MISSOURI PROPOSES NEW REGISTRATION PROCEDURE FOR INVESTMENT COMPANIES

The Missouri Securities Commissioner recently issued for public comment a proposed rule for registration of securities of an investment company. As currently drafted, Proposed Rule 30-52.160 ("Proposed Rule") would apply to all investment companies. However, in a discussion with the Commissioner of Securities, he indicated that the Proposed Rule would be amended to apply only to open-end investment companies and not to unit investment trusts or closed-end investment companies. A copy of the Proposed Rule is attached. If adopted, the procedure set forth in Proposed Rule would be the sole method to register mutual fund securities in Missouri -- it is not an optional method. Among other items, the Proposed Rule would require the filing of a Missouri supplement to the prospectus containing certain specified information. The supplement must set forth the investment objective and investment strategies of the fund, the past performance (if applicable) or a prominent statement that the fund has no operating history, the major holdings of the fund by company, a risk/reward analysis, an expense table, and the toll-free number of the Missouri Securities Division. This supplement will be required to be provided to each prospective Missouri investor. The Proposed Rule provides that upon the filing of the requisite information, a registration statement will be declared effective fifteen days after filing, or upon SEC effectiveness. Upon request of the Securities Division, a registrant must submit within twenty days of the request, copies of all sales materials (including internal sales material) used in Missouri, the names addresses, dates and amounts of investment for all Missouri investors, and any other information requested by the Commissioner of Securities. The Securities Division believes that compliance with this proposal will not cost mutual funds more than \$500 in the aggregate to comply with. In past meetings and conversations with the Commissioner of Securities, the Institute expressed serious concerns with respect to this proposed registration procedure (which had been described as an optional procedure) and noted that it would be extremely costly for mutual funds to prepare a separate disclosure document for Missouri and to provide the shareholder information to the Division. In order to prepare our comments on the Proposed Rule, please provide us with the following information: (1) cost estimates which would be incurred to prepare a separate Missouri supplement; (2) cost estimates which would be incurred to comply with the Proposed Rule, including staff costs for monitoring compliance with the Proposed Rule and preparing and submitting the Missouri shareholder information; and (3) whether or not

funds will continue to register in Missouri as a result of this proposal. Comments on the Proposed Rule must be received by the Commissioner within thirty days after publication of the Proposed Rule in the Missouri Register. However, since it is unknown when the Proposed Rule will actually be published in the Missouri Register, the Commissioner of Securities has stated that comments should be submitted no later than November 5, 1993. In order to incorporate the above information and any other comments you wish to be included in the Institute's comment letter, please provide me with the foregoing information by Monday, October 25, 1993. My direct telephone number is 202/955-3517 or you may fax your comments to me at 202/659-1519. We will keep you advised of developments. Patricia Louie Associate Counsel Attachment

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