

MEMO# 2720

April 25, 1991

TENNESSEE REPEALS INVESTMENT RESTRICTIONS AND STREAMLINES REGISTRATION AND RENEWAL PROCEDURES

April 25, 1991 TO: STATE SECURITIES MEMBERS NO. 17-91 UNIT INVESTMENT TRUST MEMBERS NO. 15-91 RE: TENNESSEE REPEALS INVESTMENT RESTRICTIONS AND STREAMLINES REGISTRATION AND RENEWAL PROCEDURES

_____ For the past several years, the Institute has been working with the Tennessee Securities Division to repeal their investment restrictions and streamline the registration and renewal process. We are pleased to inform you that the Securities Division has repealed Rule 0780-4-3-.06(m)(8) which incorporated by reference the Guidelines adopted by the Central Securities Administrators Council relating to open-end investment companies. The Securities Division also adopted amendments to several other administrative rules, including amendments to streamline the procedures for registration and renewal of investment company securities. Registration by Coordination. Rule 0780-4-2-.01 provides that securities may be registered by coordination by filing one copy of the federal registration statement and prospectus with Form U-1 (including all applicable exhibits), Form U-2, Form U-2A and the applicable filing fee. The rule also provides a streamlined procedure for sponsors of unit investment trusts to register their securities similar to Rule 487 of the Securities and Exchange Commission. Paragraph (2) permits automatic effectiveness of a registration statement filed with respect to the securities of a new series of a unit trust, if the registrant represents that the disclosures in the registration statement are not materially different from those contained in a previous series declared effective by the state within the prior five years and submits information with respect to effectiveness with the SEC to the Division. Renewals. Rule 0780-4-2-.05 sets forth the procedure for renewal of registration statements after the initial one year registration period. As you are aware, under appropriate circumstances, mutual funds initially register their securities by coordination; however, funds must renew or re-register by qualification. To renew a registration statement, funds must submit a Form U-1, a copy of the most recent prospectus and statement of additional information (if any) and the appropriate fee no later than 20 days prior to the expiration of the registration statement. If a fund has changed its name since its most recent prior filing, an amended Form U-2 must be submitted unless such has previously been filed with the Division. Series Funds. Although Rule 0780-4-2-.03(7) provides that series funds may register all portfolios under a single registration statement by filing a single Form U-1 which lists each portfolio and the amount registered for each portfolio, the staff of the Division recommends, for administrative convenience for both the funds and the Division, that a separate Form U-1

be filed for each portfolio. A single check combining the filing fees for each portfolio may be submitted to the Division. Advertising and Sales Literature. Rule 0780-4-2-.04(9) exempt investment companies from the filing requirement provided that such advertising and sales literature is subject to review by the National Association of Securities Dealers or the SEC. Amendments. Section 48-2-107(m) of the Tennessee Securities Act allows a mutual fund or unit investment trust to amend their registration statement to increase the number of shares registered. If a fund or trust registered a definite amount of securities and paid the maximum filing fee of \$1,000, no additional filing fee need be paid to increase the number of shares registered. If a fund or trust pays the maximum filing fee of \$1,000, the staff of the Division recommends that the fund or trust register an indefinite amount of securities in order to avoid having to amend the registration statement merely to increase the number of shares registered. * * * A copy of the rules adopted by the Tennessee Securities Division is attached. We will keep you advised of further developments. Patricia Louie Assistant General Counsel Attachment

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