

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 230

[Release Nos. 33-7399; IC-22529; File No. S7-18-96]

RIN 3235-AH03

Proposed New Disclosure Option for Open-End Management Investment Companies

Correction

In proposed rule document 97-5376 beginning on page 10943 in the issue of Monday, March 10, 1997 make the following corrections:

(1) On page 10946, in the first column, footnote ²⁷ should read

²⁷ Proposed rule 498(c)(1). The cover page also would include the date of the profile. See *infra* note 84 and accompanying text regarding the proposed dating requirements. If the profile is distributed electronically or as part of another document (e.g., when the profile is printed in a magazine), rule 498 would require cover page information to appear at the beginning of the profile.

(2) On the same page, in the third column, footnote ³³ should read:

³³ Proposed rule 498(c)(2)(i) (incorporating Item 2(a) of proposed Form N-1A). In providing this disclosure, a fund could refer to its investment objectives as investment goals.

(3) On page 10947, in the third column:

(a) Footnote ⁴⁵ should read:

⁴⁵ The 1996 Profile Letter, *supra* note 9, at 2, requires a fund to disclose without further explanation that it is non-diversified.

(b) Footnote ⁴⁶ should read:

⁴⁶ Proposed rule 498 (c)(2)(iii) (incorporating Item 2(c) of proposed Form N-1A).

(c) Footnote ⁴⁷ should read:

⁴⁷ The 1996 Profile Letter, *supra* note 9, at 2-3, requires the bar chart and table to appear under a caption relating to a fund's past performance. To help investors use the information in the bar chart and table, the proposed rule would require a fund to explain how the information illustrates the fund's risks and performance. Item 2 of proposed Form N-1A would provide the following example of this explanation: This information illustrates the fund's risks and performance by showing changes in the fund's performance from year to year and by showing how the fund's average annual returns for one, five, and ten years compare to those of a broad measure of market performance. A fund also would be required to disclose that how the fund has performed in the past is not necessarily an indication of how the fund will perform in the future.

(d) Footnote ⁴⁸ should read:

⁴⁸ See Risk Concept Release, *supra* note 5.

(4) On page 10948, in the first column, footnote ⁵¹ should read:

⁵¹ See 1996 Profile Letter, *supra* note 9, at 3 (permitting a fund, at its option, to compare

its returns to those of an appropriate broad-based securities market index).

(5) On the same page, in the second column:

(a) Footnote ⁵⁶ should read:

⁵⁶ Proposed rule 498(c)(2)(iv) (incorporating Item 3 of proposed Form N-1A). See also Item 2(a) of Form N-1A.

(b) Footnote ⁵⁷ should read:

⁵⁷ See Form N-1A Release, *supra* note 1 (proposing amendments to improve fee table disclosure).

(6) On the same page, in the third column:

(a) "Other Disclosure Requirements" should read "3. Other Disclosure Requirements".

(b) Footnote ⁵⁸ should read:

⁵⁸ Proposed rule 498(c)(2)(v). Consistent with Item 6(a)(2) of proposed Form N-1A, rule 498 would not require information about the portfolio manager of a money market fund or an index fund.

(c) Footnote ⁵⁹ should read:

⁵⁹ See also ICI Survey Letter, *supra* note 10, at 9 (recommending that the profile include this information).

(d) Footnote ⁶¹ should read:

⁶¹ The 1996 Profile Letter, *supra* note 9, at 3, permits a fund to disclose that 3 or more persons manage the fund's portfolio, without regard to the percentage of the portfolio managed by any one person.

(7) On page 10949, in the first column:

(a) Footnote ⁶⁴ should read:

⁶⁴ Information about a fund's cash management practices generally would not be disclosed in the section of the profile that discusses the fund's main investment strategies. See Form N-1A Release, *supra* note 1 (prospectus disclosure would focus on a fund's principal strategies, which generally would not include the fund's cash management practices).

(b) Footnote ⁶⁵ should read:

⁶⁵ See 1996 Profile Letter, *supra* note 9, at 3 (permitting a fund to provide disclosure to the effect that 3 or more sub-advisers manage the fund's portfolio without regard to the percentage of the portfolio managed by any one sub-adviser). To further limit the scope of this exception, a sub-adviser solely responsible for managing a fund's cash positions would not be counted in determining whether 3 or more sub-advisers manage the fund's portfolio.

(8) On the same page, in the second column footnote ⁶⁶ should read:

⁶⁶ Proposed rule 498(c)(2)(vi), (vii).

(9) On the same page, in the third column:

(a) "Application to Purchase Shares" should read "4. Application to Purchase Shares".

(b) Footnote ⁶⁹ should read:

⁶⁹ Proposed rule 498(c)(2)(viii). If a fund, as a result of its investment objectives or strategies, expects its distributions primarily to consist of ordinary income (or short-term capital gains that are taxed as ordinary income) or capital gains, the fund would be required to provide disclosure to that effect.

(10) On page 10950, in the first column "Disclosure Safeguards" should read "C. Disclosure Safeguards".

(11) On page 10952, in the first column:

(a) "General Request for Comments" should read "III. General Request for Comments".

(b) Footnote ⁹⁸ should read

⁹⁸ Proposed rule 498(c)(4).

(12) On the same page, in the third column "Summary of Initial Regulatory Flexibility Analysis" should read "V. Summary of Initial Regulatory Flexibility Analysis".

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 230, 239, 270, and 274

[Release Nos. 33-7398; 34-38346; IC 22528; S7-10-97]

RIN 3235-AE46

Registration Form Used by Open-End Management Investment Companies

Correction

In proposed rule document 97-5368 beginning on page 10898, in the issue of Monday, March 10, 1997, make the following corrections:

1. On page 10899, in columns two and three, footnotes 12 and 13, the word "Release)" should read "Release)".

2. On page 10900, in column one, in the fifth paragraph, in the sixth line, "investors" should read "investors".

3. On page 10901, in column one, footnote 25, in the sixth line, "*supra* note." should read "*supra* note 1."

4. On page 10902, in column three, footnote 44, in the fourth line, "*infra* notes-" should read "*infra* notes 109-112".

5. On page 10903, in column one, footnote 47 should read "⁴⁷ If applicable, a fund could indicate that its annual and semi-annual reports are available on its Internet site or by E-mail. In addition, a fund that provides its MDPF in the prospectus or a money market fund (which is not required to prepare a MDPF) would omit the second sentence of this disclosure.

Instruction 3 to proposed Item 2(b)(2) would require a fund to send, as applicable, the annual or semi-annual report within 3 business days of a request. The Commission views prompt delivery of the annual or semi-annual report or SAI to those investors who request it to be imperative to the goal of promoting effective communication about funds. The Commission's Office

of Compliance Inspections and Examinations would examine a fund's compliance with the 3-day mailing requirement, and the Commission would bring an enforcement action in an appropriate case for failing to comply with the requirement. *See also* Profile Release, *supra* note 1 (discussing the Commission's intention in connection with the profile initiative to monitor a fund's compliance with the proposed requirement to send the fund's prospectus within 3 days of a request)."

6. On page 10914, in column two, footnote 178 should read "¹⁷⁸ See *supra* note 149."

7. On page 10915, in column three, footnote 194 "*supra* note" should read "*supra* note 2."

8. On page 10916, in column one, in the fifth paragraph, in the 10th line ("('NASD') " should read ("('NASD') "). "

9. On page 10922, in column three, the amendatory instruction under "**Part 230**" should be designated as: "1. The authority....., 2. Revise....., and 3. Amend.....".

10. On page 10923, in column one, the amendatory instruction at the top of the page should be designated as: "4. Amend.....".

11. On the same page, in the same column, the amendatory instruction under "**Part 270**" should be designated as: "7. The authority.....".

12. On page 10926, in column two, item 2 should read as follows: "*Item 2. Risk/Return Summary: Investments, Risks, and Performance*

Include the following information in the same order and in the same or substantially similar question-and-answer format:".

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 270

[Release No. IC-22530; File No. S7-11-97]

RIN: 3235-AH11

Investment Company Names

Correction

In proposed rule document 97-5375 beginning on page 10955 in the issue of Monday, March 10, 1997 make the following corrections:

(1) On page 10958, in the first column footnote ²¹ should read:

²¹ See "*The Scope of the US Mutual Fund Industry: Its Regulation and Industry Trends*," Remarks by Isaac C. Hunt, Jr., Commissioner, SEC, before the Business Roundtable on "The Development of the Russian Mutual (Unit) Fund Industry and Related Investment Opportunities" at the General Consulate of the Russian Federation, New York, New York (Sept. 20, 1996) (discussing St. Petersburg Long Distance Telephone company, which is organized in Canada and whose securities are traded outside of Russia). *See also*, e.g., rule 3b-4 under the Securities Exchange Act of 1934 [17 CFR 240.3b-4] (defining a "foreign issuer").

(2) On the same page, in the second column the two headings should read "3. Tax-Exempt Investment Companies" and "4. Applying the 80% Investment Requirement".

(3) On the same page, in the third column, in the second paragraph, in the eleventh line "total assets" should read "*total assets*".

(4) On page 10959, in the first column:

(a) Footnote ³³ should read:

³³ Proposed rule 35d-1(b)(3). *See* Letter to Registrants at I.E (Feb. 25, 1994) ("1994 GCL"). *See also* Form N-1A Release, *supra* note 1 (proposing to require a fund to disclose, if applicable, certain information in its prospectus about the possibility of taking temporary defensive positions).

(b) Footnote ³⁴ should read:

³⁴ Many investment companies have the flexibility to assume temporary defensive

positions and depart from investment policies unrelated to their names. *See* 1994 GCL, *supra* note 33 (noting that investment companies may depart from a policy to concentrate in a particular industry or group of industries to avoid losses in response to adverse market, economic, political, or other conditions).

(5) On the same page, in the third column, "In General" should read "1. In General".

(6) On page 10960, in the first column, footnote ⁴⁰ should read:

⁴⁰ *See* In re Alliance North Am. Gov't Income Trust, Inc. Securities Litigation, No. 95 Civ. 0330 (LLM), 1996 U.S. Dist. LEXIS 14209, at *8 (S.D.N.Y. Sept. 27, 1996); The Private Investment Fund for Governmental Personnel, Inc., 37 S.E.C. 484, 487-88 (1957). The 80% investment requirement generally would apply to a company's investment focus as disclosed in the company's prospectus. The Commission, however, recognizes that the 80% investment requirement would not be appropriate in all cases (e.g., with respect to an investment company that uses the word "balanced" in its name).

In connection with the proposed amendments to Form N-1A, information about the organization and operations of investment companies and Division interpretive positions is proposed to be incorporated in a new "Investment Company Registration Package," which would be prepared by the Division. *See* Form N-1A Release, *supra* note 1. The Investment Company Registration Package would include general guidance about avoiding the use of a name that is the same as or similar to the name of another investment company and about names that a reasonable investor may conclude suggest more than one investment focus including, for example, use of names that include the terms "small, mid, or large capitalization."

(7) On the same page, in the second column, footnote ⁴¹ should read

⁴¹ The term "bond," by itself, does not imply that the security has a particular maturity. *See also* 1994 GCL, *supra* note 33, at III.A (indicating that a fund should describe in its prospectus what it considers to be a "bond").

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