

CFR 239.15] for open-end companies and Form N-2 [17 CFR 239.14] for closed-end companies; revised Form N-1R [17 CFR 249.330, 274.101], the annual report form for management investment companies under the 1940 Act and the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq. as amended by Pub. L. No. 94-29 (June 4, 1975)]; and new Rule 8b-16 [17 CFR 270.8b-16] under the 1940 Act, requiring all investment companies which file Form N-1R to file an annual update of their 1940 Act registration statement within 120 days of the close of the fiscal year.¹ In that release, the Commission invited additional submission of comments by interested persons on ten items of new registration statement Forms N-1 and N-2.² The period for filing such additional comments expired on October 16, 1978.

No letters of comment were received concerning any of the items in Forms N-1 or N-2 upon which additional public comment was invited. In the period since adoption of the new registration statement forms, no information has come to the attention of the Commission which would lead to a conclusion that any of these items should be revised. Therefore, the Commission has decided not to revise those items in Forms N-1 and N-2 upon which it invited additional public comment.

One letter of comment was received concerning Item 1 of Part I of Form N-1 ("Cover Page"). While this item was not included in those items of Forms N-1 and N-2 upon which additional comment by the public was invited, the Commission believes it appropriate to examine the issue raised by this commentator. The commentator noted that Item 1 in Part I of Form N-1 does not specifically permit a mutual fund to state on the cover page of its prospectus that its shares are sold at no load, and requests that the instructions to the above item be amended to permit mutual funds whose shares are sold without a sales charge to state that fact on the cover page of the prospectus. The Commission is of the view that such an amendment of the instructions to this item is unnecessary for two reasons. First, subpart (e) of the Cover Page item specifically allows "at the discretion of the registrant . . . such legend, logotype, pictures, or other attention-getting devices that are not misleading" to appear on the cover page of a mutual fund's

prospectus. The Division of Investment Management interprets the term "attention-getting device" as allowing a registrant to highlight on the cover page of its prospectus any non-misleading description of the entity that it desires, including the fact that its shares are sold without a sales charge. Thus, there is no need to permit specifically such a statement to appear on the cover page.

In addition, as noted in Securities Act Release No. 5964, a new item has been included in Form N-1 to ensure that a synopsis of information concerning the key investment policies, operations and activities of a mutual fund will appear in the forepart of the prospectus. This item (Item 2 of Part I) specifies in subpart (c) thereof that information concerning the maximum sales load, both as a percentage of the net amount invested and as a percentage of the offering price, must appear in the synopsis. Given the fact that the new synopsis section of mutual fund prospectuses will include information concerning the maximum sales charge at which a particular fund's shares are sold, the Commission is of the view that there is no need to require such information to appear on the cover page as well.

OTHER MATTERS

Revised Form N-1R is being put into EDP format by the Office of Data Processing so that the information reported thereon can be readily processed by that Office. Thus, the official text of the form that will be printed and distributed to the public will not appear exactly in the form of the revised Form N-1R that was printed in the *SEC Docket* shortly after its adoption, but any differences that result will relate only to style. The substance of revised Form N-1R will remain the same. For the convenience of registrants, copies of revised Form N-1R will be available after March 1, 1979, at the Commission's Publications Section in Washington, D.C.

By the Commission.

George A. Fitzsimmons
Secretary

¹ See Securities Act Release No. 5964 [43 FR 39548 (September 5, 1978)].

² Submission of additional comments from the public was invited on the following items: Items 8, 12 and 13(c) of Part I and Items 1(b)(14) and 8 of Part II of Form N-1 and Items 10, 14 and 15(c) of Part I and Items 4(b)(15) and 9 of Part II of Form N-2.

SECURITIES EXCHANGE ACT OF 1934

SECURITIES EXCHANGE ACT OF 1934 Release No. 15461/January 5, 1979

Filing and Reporting Requirements Relating to
Institutional Investment Managers

AGENCY: Securities and Exchange Commission.

ACTION: Final rules.

SUMMARY: The Commission announces the amendment of the rule and form governing the reporting requirements of institutional investment managers exercising investment discretion over accounts having in the aggregate more than \$100,000,000 in exchange-traded or NASDAQ-quoted equity securities. Under the amendment, as adopted, such managers are required to file a report within 45 days after the end of each calendar year and within 45 days after the last day of the first three calendar quarters of the subsequent year.

EFFECTIVE DATE: February 5, 1979.

FOR FURTHER INFORMATION CONTACT: W. Scott Cooper, Esq. (202-755-1792), Division of Investment Management, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549.

SUPPLEMENTARY INFORMATION: The Securities and Exchange Commission (the "Commission") today announced the amendment of Securities Exchange Act Rule 13f-1 [17 CFR 240.13f-1] and related Form 13F [17 CFR 249.325], pursuant to Section 13(f) of the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq. as amended by Pub. L. No. 94-29 (June 4, 1975)] (the "Exchange Act"). The amendment to the Rule and Form adopted today requires that institutional investment managers, subject to the reporting requirements under the Rule, file a report on a quarterly basis rather than annually as originally adopted on June 15, 1978, and announced in Exchange Act Release No. 14852 [43 FR 26700].

Section 13(f) of the Exchange Act was adopted by Congress as part of the Securities Acts Amendments of 1975. The reporting system required by Section 13(f) is intended to create in the Commission a central repository of historical and current data about the investment activities of institutional investment managers, in order to improve the body of factual data available and to facilitate consideration of the influence and impact of institutional investment managers on the securities markets and the public policy implications of that influence. Section 13(f) empowers the Commission to adopt rules which would create a reporting and disclosure system to collect specific information concerning Section 13(d)(1) [15 U.S.C. 78m(d)(1)]¹ equity securities held

in accounts over which certain institutional investment managers exercise investment discretion. It gives the Commission broad rulemaking authority to determine the size of the institutions required to file reports, the format and frequency of the reporting requirements, and the information to be disclosed in each report.

The Rule, as adopted on June 15, 1978, required that an institutional investment manager exercising investment discretion with respect to accounts having more than \$100,000,000 or more in exchange-traded or NASDAQ-quoted equity securities on the last day of any of the twelve calendar months of a calendar year file annually with the Commission, and, if a bank, with the appropriate banking agency, within 45 days after the last day of such calendar year, five copies of Form 13F. The form required the reporting of the name of the issuer and the title of class, CUSIP number, number of shares or principal amount in the case of convertible debt, and aggregate fair market value of each such equity security held. The form also required information concerning the nature of investment discretion and voting authority possessed.

When the Commission announced the adoption of Rule 13f-1, the Commission solicited comment on the usefulness and practicality of quarterly reporting. The Commission received 124 letters of comment during the comment period which expired on August 31, 1978. In general, the main areas of comment related to the usefulness of the information and the attendant costs.

Many commentators felt quarterly information on the holders of common stock would be invaluable to a trading desk involved in block transactions and would facilitate the function of block trading and enhance the liquidity of the marketplace. A number of commentators pointed out that quarterly reporting would provide a greater basis for comparison shopping among investment managers. Such commentators emphasized that an evaluation of the investment philosophy and policies of a prospective manager is crucial in making an effective comparison and that such an evaluation is dependent upon a periodic examination of a manager's investment decisions as reflected by his holdings and transactions. Both corporations and financial reporting services asserted that quarterly reporting is

which would have been required to be so registered except for the exemption contained in Section 12(g)(2)(G) of the Exchange Act, or any equity security issued by a closed-end investment company registered under the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.].

¹ Any equity security of a class which is registered pursuant to Section 12 of the Exchange Act [15 U.S.C. 78l], or any equity security of an insurance company

needed to provide corporate treasurers with current information concerning institutions owning their own stock. They pointed out that many stockholders take ownership in nominee or street name, making it difficult to trace such information and making it difficult to secure proxies on important corporate matters.

The comments in opposition to the usefulness of quarterly reporting took issue with the assertions that more frequent reports would be of utility to block traders or enhance market liquidity. Commentators opposed to quarterly reporting also disputed the usefulness of the reports as providing a basis for comparison among different investment managers. In addition, opponents to quarterly reporting believed that information about stock ownership was either currently available or more properly required under the beneficial ownership reporting requirements.

Based upon the estimates of the cost of compliance with the reporting requirements supplied by prospective reporting institutions, it appears that the cost to the institutions is generally low in comparison with the size of the institution which is required to report. The mean of all the estimates submitted to the Commission was \$3,000 per report.

Although acknowledging relatively low cost, those commentators opposed to quarterly reporting stated, among other things, that the cost of compliance outweighed the benefit to the public in increasing the frequency of reporting and that as another cost of doing business it would reduce to the ability of operations such as bank trust departments to become profitable.

The Commission has concluded that it is in the public interest to require quarterly reporting at this time, because, among other things, the Commission does not perceive any significant obstacles to quarterly reporting nor any undue hardship for reporting institutions. In addition, the Commission believes that the simplicity of the form and the recent issuance of an interpretative release² will enhance the likelihood of an effectively functioning system. The utility of the information was evidenced by the large number of commentators who expressed an interest in receiving information from quarterly reports. Finally, if quarterly reporting is not required at this time, such data might be lost altogether thereby creating gaps in the continuous flow of information which may be utilized for future policy decisions.

The amendments to Rule 13f-1 and Form 13F require

² Exchange Act Release No. 15292 dated November 2, 1978 [43 FR 52697, November 14, 1978].

an institutional investment manager subject to the reporting requirements for a particular calendar year to file Form 13F within 45 days after the last day of such calendar year and within 45 days after the last day of each of the first three calendar quarters in the subsequent calendar year.

Certain Findings

As required by Section 23(a)(2) of the Exchange Act [15 U.S.C. 78w(a)(2)], the Commission has considered the impact which the Rule and Form as amended herein would have on competition. The Commission has found that requiring the filing of Form 13F on a quarterly basis will not significantly burden competition. Furthermore, the Commission has determined that any possible resulting competitive burdens will be outweighed by, and are necessary and appropriate to achieve, the benefits of this information to investors.

As mandated by Section 13(f)(4), in exercising its authority under Section 13(f) the Commission has determined that its action is appropriate in the public interest and for the protection of investors. The Commission finds that the cost of the amendments to the Rule and Form adopted herein are not unreasonable in light of the purposes of the statute.

1. 17 CFR Part 240 is amended by revising paragraph (a) of §240.13f-1 to read as follows:

§240.13f-1 Reporting by institutional investment managers of information with respect to accounts over which they exercise investment discretion.

(a) Every institutional investment manager which exercises investment discretion with respect to accounts holding section 13(f) securities, as defined in paragraph (c) of this section, having an aggregate fair market value on the last trading day of any month of any calendar year of at least \$100,000,000 shall file a report on Form 13F [§249.325 of this Chapter] with the Commission within 45 days after the last day of such calendar year and within 45 days after the last day of each of the first three calendar quarters of the subsequent calendar year.

* * * * *

2. 17 CFR Part 249 is amended by revising General Instruction C of Form 13F (§249.325) as follows:

§249.325 Form 13F, report of institutional investment managers pursuant to Section 13(f) of the Securities Exchange Act of 1934.

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General Instructions

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SECURITIES ACT OF 1933
Release No. 6012/January 9, 1979

C. *Filing of Form 13F.* Five copies of Form 13F shall be filed with the Commission within 45 days after the end of the calendar year 1978 and each calendar year and the first three calendar quarters of each calendar year thereafter. As required by Section 13(f)(4) of the Act, a Manager which is a bank, the deposits of which are insured in accordance with the Federal Deposit Insurance Act, shall file with the appropriate regulatory agency a copy of every report filed with the Commission pursuant to this subsection by or with respect to such bank. The appropriate regulatory agency with which a copy of this report is to be filed for:

SECURITIES EXCHANGE ACT OF 1934
Release No. 15463/January 8, 1979

INVESTMENT COMPANY ACT OF 1940
Release No. 10544/January 8, 1979

INVESTMENT ADVISERS ACT OF 1940
Release No. 655/January 8, 1979

ADMINISTRATIVE PROCEEDING
File No. 3-5576

3. 17 CFR Part 249 is amended by revising the cover page of Form 13F (§249.325) to read as follows:

In the Matter of

* * * * *

FORM 13F

FIRST STATE FINANCIAL, INC.
5507 South Lewis
Tulsa, Oklahoma 74105
(8-16927) (801-8431)

INFORMATION REQUIRED OF INSTITUTIONAL INVESTMENT MANAGERS PURSUANT TO SECTION 13(f) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULES THEREUNDER

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SIDNEY I. SHUPACK
5507 South Lewis
Tulsa, Oklahoma 74105

Report for the calendar year or Quarter Ended 19

MEYER (MIKE) ROBINOWITZ
7204 South Gary Avenue
Tulsa, Oklahoma 74136

AUTHORITY; EFFECTIVE DATE

The Commission hereby adopts the amendment of Rule 13f-1 and Form 13F, effective February 5, 1979, pursuant to the authority set forth in Sections 13(f) and 23 of the Exchange Act [15 U.S.C. 78m(f) and 78w].

JACK W. WARREN
4428 East 49th Street
Tulsa, Oklahoma 74135

By the Commission.

George A. Fitzsimmons
Secretary

FINDINGS AND ORDER IMPOSING REMEDIAL SANCTIONS

In these proceedings under the Securities Exchange Act of 1934, the Investment Advisers Act of 1940 and the Investment Company Act of 1940¹, First State Financial, Inc. (First State), registered as both an investment adviser and a broker-dealer, Sidney I. Shupack (Shupack), president and a director of First State and First State Capital Fund, Inc. (First State Capital), a registered investment company, Meyer (Mike) Robinowitz (Robinowitz), a director of First State and First State Capital, and Jack W. Warren

SECURITIES EXCHANGE ACT OF 1934
Release No. 15462/January 9, 1979

¹ In the Matter of First State Financial, Inc., et al., Administrative Proceeding File No. 3-5576, instituted on October 26, 1978.

SEE

690/SEC DOCKET