

OPENING REMARKS
OF
ARTHUR LEVITT, CHAIRMAN

AT THE PUBLIC MEETING OF THE
SECURITIES AND EXCHANGE COMMISSION

DECEMBER 15, 1993

Today we have three items before us regarding mutual funds. So, it is fitting that I welcome Mr. Barry Barbash, Director of the Division of Investment Management, to his first public meeting as Director. Barry, I promise that we will go relatively easily on you today.

The first item is a proposal to improve disclosure and reduce investor confusion regarding funds that have multiple classes of securities. In recent years, many mutual fund complexes have created multiple classes to target their marketing and distribution to specific kinds of investors. The proposed rules would help investors decide which investment suits them better by clearly setting out sales and service charge options -- critical information in making an investment decision regarding these funds.

The proposed rules would also streamline and rationalize the way the staff handles applications to create these funds. During the past six years, the SEC has granted nearly 100 exemptions for multiple-class funds from Investment Company Act restrictions. These exemptions have consumed considerable time and money both by the SEC and by the industry. This burden, of course, is ultimately borne by taxpayers and investors.

The second item involves the disclosure rules for proxy statements of registered investment companies. Today's proposals are the result of the first comprehensive review of investment company proxy disclosure since the current rules were adopted in 1960. These proposed rules have 2 major goals: to up-date our rules in light of the tremendous changes in the mutual fund industry during the past 30 years, and to improve disclosure by making these proxy statements easier to understand and more relevant to the matters up for a vote.

The third item relates to the rules that govern money market funds, particularly rule 2a-7 under the Investment Company Act. In 1991, the SEC adopted extensive amendments regarding taxable money market funds, including diversification requirements and limits on investment in riskier securities. Today's proposed amendments would extend similar protections to investors in tax exempt funds, while taking into account the particular characteristics of the tax exempt markets.

Now, let me turn the floor over to Barry Barbash. Barry, you should assume that the Commissioners have reviewed all the materials. Before I turn the floor over to you, let me commend your Division for its good efforts on these important rules.