Securities Industry Association

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February 2, 1998

Jonathan D. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street N.W., Stop 6-9
Washington, D.C. 20549

Re: Delivery of Disclosure Documents to Households

(Release Nos. 33-7475, 34-39321, IC-22884, File No. S7-27-97)

Dear Mr. Katz:

The Investment Company Committee ("the Committee") of the Securities Industry Association ("SIA")[1] is taking this opportunity to comment on the above captioned releases (and in particular IC-22884) which, among other things, permits, under certain circumstances, delivery of a prospectus or shareholder report to a single investor within a household that contains multiple shareholders. This would be permitted where all other shareholders within the household have consented [2] to the single mailing, except a single mailing would not be permitted where a prospectus would be required to be delivered in connection with business combination transactions.

The Committee supports the Commission's household mailing proposal and offers some suggestions regarding the scope of the proposal and the manner of obtaining consent. Certain of these the Commission may wish to consider implementing in conjunction with the instant proposal, and others after some experience with the operation of the rule has been obtained.

DISCUSSION

The Committee believes that few Commission initiatives are more likely to be in keeping with the purpose and spirit of the Paperwork Reduction Act than the householding proposal. Furthermore, it is consistent with the wishes of investors whose homes are currently inundated with a plethora of duplicate documents they neither need or want. It is also consistent with the practices of many broker/dealers who, with customer consent, combine periodic customer statements, and in some cases other documents, into a single household mailing.

The Committee also believes that there are certain combined household mailings that, by implication, are permissible, without prior consent. Specifically, this would relate to situations where a number of household accounts reflect separate legal entities but have a common legal owner. For example, the same individual could maintain an individual account while also being the Trustee of a trust account and Custodian of a Uniform Gift to Minors account. It seems fundamental that under this or similar circumstances, one prospectus sent to a single household would be appropriate without "prior consent". In fact, single household mailing should be appropriate in this instance even where a prospectus is required to be delivered in connection with a business combination or other "corporate action" matter.[3] We would therefore suggest that the final rule, or the Release accompanying it, reflect that the rule was not intended to require prior consent, or otherwise preclude a single household mailing, for all accounts controlled by a common legal owner.

We would question the need for prior "written" consent and would suggest that a negative consent procedure[4] is not only more cost effective,[5] but also is consistent with no-action letters previously issued by the staff with respect to non-prospectus disclosure documents.[6] We believe that this procedure could extend to both prospectus and other disclosure documents provided there was an appropriate disclosure in the prospectus advising shareholders that single household mailing procedures will be employed absent an affirmative request for separate mailings. [7]

We also believe that after gaining some experience with the rule, the Commission should consider extending the single household mailing involving different legal owners to business combinations or other "corporate action" circumstances, provided sufficient copies of the proxy voting materials are included in the mailing for each separate account. Prior consent of other household members would, of course, continue to be required.

CONCLUSION

As noted, the Committee applauds and strongly supports the Commission's rule proposal regarding single household mailings. We believe the Commission should clarify that single household mailings are permissible, regardless of prior consent, where all accounts to be included are controlled by the same legal owner. Furthermore, after gaining some experience with the rule, we believe the Commission should consider extending its operation to business combinations and similar matters, provided sufficient copies of the proxy voting materials are included to cover each account encompassed in the household mailing.

We appreciate the opportunity to comment If you have any questions regarding the content of this letter or we can otherwise be of assistance please contact the undersigned at (212) 848-1715 or Michael Udoff, Staff Adviser to the Committee, at (212) 618-0509.

Sincerely,

Lawrence H. Kaplan
Chairman,
Investment Company Committee

cc:

Marilyn Mann, Esq.
Elizabeth M. Murphy, Esq.
Barry P. Barbash, Esq.
Douglas Scheidt, Esq.

Footnotes:

1 The Securities Industry Association is the trade association representing more than 780 securities firms headquartered throughout North America. Its members include securities organizations of all typesinvestment banks, brokers, dealers, specialists, and mutual fund companies. SIA members are active in all markets, and in all phases of corporate and public finance. Collectively, they provide investors with a full spectrum of investment services and account for approximately 90% of the securities industry's revenue in the United States.

2 Affirmative consent would not be required for accounts existing prior to the effective date of the rule. For such accounts the rule proposal sets forth a "negative consent" procedure which includes a notice requirement and a waiting period before the single mailing may be instituted.

3 While one prospectus or other offering document would suffice, proxy voting cards should be included for each separate account covered by the household mailing.

4 The Commission has approved negative consent procedures in other contexts. See for example Rule 14b-1(b)(3)(i) which permits names of beneficial owners of securities held in street name to be provided to registrants for non-objecting shareholders.

5 One broker/dealer has estimated that the cost of developing and maintaining an affirmative consent procedure would substantially exceed the short-term savings realized from combined mailing.

6 See for example, among others, Oppenheimer letter, dated July 20, 1994, Scudder, Stevens letter, dated June 19, 1990 and Allstate Enterprises Stock Fund, Inc. letter, dated July 22, 1973. Since many funds are already operating under these no-action letters it would not appear necessary to utilize a consent procedure (affirmative or negative) with respect to pre-existing accounts. Such a communication would likely prove confusing to such shareholders.

7 The prospectus should also describe a simple procedure to request separate mailings.