

SEC Votes to Improve Disclosure for Mutual Fund Investors

November 20, 2008

What This Means

The Securities and Exchange Commission (SEC) voted unanimously on November 19 to improve mutual fund disclosure by requiring funds to provide investors with a “summary prospectus” written in plain English that presents the key information needed to make educated investment decisions. The summary prospectus will be located at the front of a fund’s prospectus.

Discussion and Analysis

This shortened disclosure will allow mutual funds to provide their investors with a three- or four-page summary of the fund’s investment objectives and strategies, risks, and costs. The summary will also include information about investment advisers and portfolio managers, purchase and sale procedures, tax consequences, and financial intermediary compensation.

New Prospectus Delivery Option for Mutual Fund Securities

A mutual fund’s summary prospectus will satisfy prospectus delivery requirements as long as the summary prospectus, statutory prospectus, Statement of Additional Information, and other specified documents are available online. The summary prospectus will be organized in the same order as the statutory prospectus.

Investors should be able to print these online materials in a readable format. Investors must also be able to navigate between the summary prospectus and statutory prospectus, and from the table of contents of the summary prospectus to the relevant sections in the statutory prospectus. Investors can choose to receive the statutory prospectus and other information in paper form upon request.

Effect on Mutual Fund Industry

The new disclosure requirement should enhance the ability of investors to understand important fund information. SEC Chairman Christopher Cox stated: “The summary prospectus will quickly give investors a basic understanding of the fund and will permit them readily to compare one fund to another. Investors will also have access to more searchable information about mutual funds on the Internet—an important improvement in their ability to comparison shop.”

To view the SEC’s press release, please visit <http://www.sec.gov/news/press/2008/2008-275.htm>.

How Morgan Lewis Can Help

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