VI. Statutory Authority

The Commission is proposing amendments to rule 6c-10 under sections 6(c) and 38(a) of the Investment Company Act [15 U.S.C. 80a-6(c), and -37(a)]. The authority citations for the proposed amendments to Form N–1A precede the text of the amendments.

List of Subjects in 17 CFR Parts 239, 270, and 274

Investment companies, Reporting and recordkeeping requirements, Securities.

Text of Proposed Rule and Form Amendments

For the reasons set out in the preamble, Title 17, Chapter II of the Code of Federal Regulations is proposed to be amended as follows:

PART 270—RULES AND REGULATIONS, INVESTMENT COMPANY ACT OF 1940

* * *

1. The authority citation for Part 270 continues to read, in part, as follows:

Authority: 15 U.S.C. 80a–1 *et seq.*, 80a-37, 80a-39 unless otherwise noted;

* * * * * * *

Section 270.6c–10 is also issued under sec.
6(c) [15 U.S.C. 80a–6(c)];

2. Section 270.6c-10 is revised to read as follows:

§ 270.6c-10 Exemption for certain openend management investment companies to impose deferred sales loads.

- (a) A company and any exempted person shall be exempt from the provisions of Sections 2(a)(32), 2(a)(35), and 22(d) of the Act [15 U.S.C. 80a-2(a)(32), 80a-2(a)(35), and 80a-22(d), respectively] and § 270.22c-1 to the extent necessary to permit a deferred sales load to be imposed on shares issued by the company, *Provided*, that:
- (1) Any deferred sales load is a specified percentage of the net asset value at the time of purchase, redemption, or the payment of an installment:
- (2) The terms of the deferred sales load are covered by the provisions of Article III, Section 26 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc.; and
- (3) The same deferred sales load is imposed on all shareholders, except that scheduled variations in or elimination of a deferred sales load may be offered to a particular class of shareholders or transactions, *Provided*, that the conditions in § 270.22d-1 are satisfied. Nothing in this paragraph (a) shall prevent a company from offering to existing shareholders a new scheduled

variation that would waive or reduce the amount of a deferred sales load not yet paid.

(b) For purposes of this section:

(1) Company means a registered openend management investment company, other than a registered separate account, and includes a separate series of the company;

(2) Exempted person means any principal underwriter of, dealer in, and any other person authorized to consummate transactions in, securities

issued by a company;

(3) Deferred sales load means any amount properly chargeable to sales or promotional expenses that is paid by a shareholder after purchase but before or upon redemption.

PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933

PART 274—FORMS PRESCRIBED UNDER THE INVESTMENT COMPANY ACT OF 1940

3. The authority citation for Part 239 continues to read, in part, as follows:

Authority: 15 U.S.C. 77f, 77g, 77h, 77j, 77s, 77sss, 78c, 78l, 78m, 78n, 78o(d), 78w(a), 78ll(d), 79e, 79f, 79g, 79j, 79l, 79m, 79n, 79q, 79t, 80a-8, 80a-29, 80a-30 and 80a-37, unless otherwise noted.

* * * * *

4. The authority citation for Part 274 continues to read as follows:

Authority: 15 U.S.C. 77f, 77g, 77h, 77j, 77s, 78c(b), 78l, 78m, 78n, 78o(d), 80a-8, 80a-24, and 80a-29, unless otherwise noted.

5. Item 2 of Part A of Form N-1A [referenced in §§ 239.15A and 274.11A] is amended by revising the parenthetical after "Deferred Sales Load" in paragraph (a)(i), and Instruction 5, to read as follows:

Note: Form N-1A does not, and the amendment will not, appear in the Code of Federal Regulations.

Form N-1A

* * * * *

Part A. Information Required in a Prospectus

Item 2. Synopsis

(a)(i) * * * * * * * *

Shareholder Transaction Expenses

Deferred Sales Load (as a percentage of

_____); %
* * * * * *

Instructions:

Shareholder Transaction Expenses

5. "Deferred Sales Load" includes the maximum total deferred sales load payable

upon redemption, in installments, or both, expressed as a percentage of the amount or amounts stated in response to Item 7(g), and may include a tabular presentation, within the larger table, of the range over time of any deferred sales load (such as a contingent deferred sales load) that may change over time, or a schedule of any installment load payments.

6. Item 7 of Part A of Form N-1A [referenced in §§ 239.15A and 274.11A] is amended by removing the word "and" at the end of paragraph (e), removing the period at the end of paragraph (f) and adding "; and" in its place, and adding paragraph (g) to read as follows:

Form N-1A

* * * * *

Part A. Information Required in a Prospectus

* * * * *

Item 7. Purchase of Securities Being Offered * * * * *

(g) a concise explanation of the way in which any deferred sales load is imposed and computed, including: (i) an explanation of the basis on which the specified percentage is calculated (e.g., the original purchase price, the price at redemption, or the net asset value at the time an installment is paid); (ii) if the method of determining the amount of load results in a load being applied to shares or amounts representing shares acquired through the reinvestment of dividends or other distributions, a statement to that effect; (iii) a description of the way in which the load is calculated (e.g., in the case of a partial redemption, whether or not the load is calculated as if shares or amounts representing shares not subject to a load are redeemed first, and other shares or amounts representing shares are then redeemed in the order purchased); and (iv) if applicable, an explanation of the way(s) in which a shareholder may be required to pay an installment load (e.g., through the withholding of dividend payments, involuntary redemptions, separate billing of an investor's account).

7. Item 22 of Part B of Form N-1A [referenced in §§ 239.15A and 274.11A] is amended by adding at the end of Instruction 1 to paragraph (b)(i) a sentence that reads as follows:

Form N-1A

* * * * *

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Part B. Information Required in a Statement of Additional Information

Item 22. Calculation of Performance Data

- (b) Other Registrants
- (i) Total Return * * *

* *

- Instructions:
- 1. * * * If shareholders are charged a deferred sales load, assume the maximum deferred sales load is deducted at the times,