

MEMO# 32327

March 26, 2020

Emergency No-Action Relief - Mutual Funds and Rule 17a-9

[32327]

March 26, 2020 TO: ICI Members
Investment Company Directors
ICI Global Members SUBJECTS: Closed-End Funds
Compliance
Derivatives
Disclosure
Exchange-Traded Funds (ETFs)
Fund Accounting & Financial Reporting
Fund Governance
International/Global
Investment Advisers
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Risk Oversight
Technology & Business Continuity
Transfer Agency
Unit Investment Trusts (UITs)
Valuation
Variable Insurance Products RE: Emergency No-Action Relief - Mutual Funds and Rule 17a-9

On March 26, 2020, we received emergency relief from the staff of the Division of Investment Management agreeing that it would not recommend enforcement action under Section 17(a) of the Investment Company Act of 1940 (the "Act") against any registered open-end investment company that does not hold itself out as a money market fund and is not an exchange-traded fund, if an affiliated person that is not a registered investment company purchases debt securities from the fund, in general accordance with the requirements of Rule 17a-9. Any affiliated purchases under the relief are subject to the following conditions:

1. The purchase price is paid in cash.
2. The price of the purchased debt security is its fair market value under section 2(a)(41) of the Act, provided that this price is not materially different from the fair market value of the security indicated by a reliable third-party pricing service.
3. In the event that the purchaser thereafter sells the purchased security for a higher

price than the purchase price paid to the fund, the purchaser shall promptly pay to the fund the amount by which the subsequent sale price exceeds the purchase price paid to the Fund. If the purchaser is subject to Sections 23A and 23B of the Federal Reserve Act, this condition does not apply to the extent that it would otherwise conflict with (i) applicable banking regulations or (ii) any applicable exemption from such regulations issued by the Board of Governors of the Federal Reserve System.

4. Within one business day of the purchase of the security, the fund publicly posts on its website and informs the staff via email to IM-EmergencyRelief@sec.gov stating the name of the fund, the name of the purchaser, the security(s) purchased (including a legal identifier if available), the amount purchased, and the total price paid.
5. The relief shall be in effect on a temporary basis in response to the national emergency concerning the COVID-19 outbreak, which was proclaimed by the President of the United States on March 13, 2020, and will cease to be in effect upon notice from the staff.

The staff's no-action letter and the in-coming letter from the Institute are attached. This relief for certain open-end funds complements the relief issued on March 19 permitting certain bank affiliates to purchase securities directly from their affiliated money market funds (Member Memo 32322, March 26, 2020).

Susan Olson
General Counsel

[Attachment No. 1](#)

[Attachment No. 2](#)

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