

**MEMO# 20936**

March 7, 2007

## **Draft Institute Comment Letter to IRS Regarding Guidance on Employer Stock Diversification Requirements**

URGENT/ACTION REQUESTED

[20936]

March 7, 2007

TO: PENSION COMMITTEE No. 8-07  
PENSION OPERATIONS ADVISORY COMMITTEE No. 9-07 RE: DRAFT INSTITUTE COMMENT  
LETTER TO IRS REGARDING GUIDANCE ON EMPLOYER STOCK DIVERSIFICATION  
REQUIREMENTS

Attached for your review is a draft comment letter to the Internal Revenue Service regarding its recent guidance on the employer stock diversification requirements enacted under the Pension Protection Act. [\[1\]](#) In Notice 2006-107, the IRS provided preliminary guidance on Code section 401(a)(35) and indicated that it plans to issue regulations. Comments are due to the IRS by March 18, 2007.

The letter asks the IRS to permit reasonable restrictions on trading of employer stock, such as those designed prevent market timing in employer stock funds. We also urge the IRS to extend the transition relief for existing restrictions beyond the current March 30, 2007 expiration date and to clarify other technical aspects of the guidance.

Please review the draft comment letter and provide any comments or suggestions by Wednesday, March 14, 2007. Please contact the undersigned at 202/326-5821 or [ebarone@ici.org](mailto:ebarone@ici.org) or Mary Podesta at 202/326-5826 or [podesta@ici.org](mailto:podesta@ici.org) with any comments or questions.

Elena Barone  
Assistant Counsel

[Attachment](#)

**endnotes**

[\[1\]](#) See [Memorandum](#) to Pension Members No. 72-06 [20643], dated December 1, 2006.

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