

MEMO# 30686

April 28, 2017

SEC Staff Provides No-Action Position to Closed-End Feeder Fund from Paying Certain Duplicative Registration Fees

[30686]

April 28, 2017 TO: ICI Members
Chief Compliance Officer Committee
Closed-End Investment Company Committee
SEC Rules Committee
Small Funds Committee SUBJECTS: Closed-End Funds
Compliance RE: SEC Staff Provides No-Action Position to Closed-End Feeder Fund from Paying Certain Duplicative Registration Fees

The staff of the Securities and Exchange Commission's Division of Investment Management recently issued a no-action letter to a closed-end feeder fund permitting the fund to avoid paying registration fees on shares it sells to the public and tender offer registration fees on shares it offers to repurchase from the public.[\[1\]](#) The position was based on the representation that the master fund already pays: 1) registration fees on all of its shares sold, including shares sold to the feeder fund; and 2) tender offer registration fees on all of its shares it offers to repurchase, including shares repurchased from the feeder fund.[\[2\]](#) Relieving the closed-end feeder fund from paying these fees essentially eliminates the "double payment" of registration fees and tender offer registration fees for shareholders of the closed-end feeder fund (first at the master level, then at the feeder level) and is consistent with the staff's guidance relating to registration fees of open-end funds operating in a master-feeder structure.[\[3\]](#)

The position provides a basis for other closed-end feeder funds with substantially similar facts and circumstances to also avoid paying these duplicative registration fees. [\[4\]](#)

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endnotes

[1] See Ironwood Multi-Strategy Fund LLC (pub. avail. Apr. 19, 2017), *available at* <https://www.sec.gov/divisions/investment/noaction/2017/ironwood-042017-6b.html>.

[2] The SEC staff also relied on the representation that: 1) all shares sold by the feeder fund have corresponding purchases of the master fund shares by the feeder fund; and 2) all shares repurchased from the public by the feeder fund have corresponding repurchases of the master fund shares from the feeder fund.

[3] The SEC staff has taken a similar position on open-end funds operating in a master-feeder structure to avoid double payment of registration fees. See American Council of Life Insurance (pub. avail. June 20, 1995), *available at* <https://www.sec.gov/divisions/investment/noaction/1995/americancouncil062095.pdf>, and GMO Trust (pub. avail. May 24, 2012), *available at* <https://www.sec.gov/divisions/investment/noaction/2012/gmotrust052412-24f2.htm>.

[4] Third parties generally may rely on no-action letters from the SEC's Division of Investment Management to the extent that their facts and circumstances are substantially similar to those described in the letter. See, e.g., Informal Guidance Program for Small Entities, Investment Company Act Rel. No. 22587 (Mar. 27, 1997), n. 20, *available at* <https://www.sec.gov/rules/final/33-7407.txt>.