

MEMO# 31787

June 3, 2019

Interval Funds: Operational Challenges and the Industry's Way Forward

[31787]

June 3, 2019 TO: ICI Members

Bank, Trust and Retirement Advisory Committee

Broker/Dealer Advisory Committee

Closed-End Investment Company Committee

Operations Committee

Small Funds Committee

Transfer Agent Advisory Committee SUBJECTS: Closed-End Funds

Distribution

Operations

Recordkeeping

Settlement

Transfer Agency RE: Interval Funds: Operational Challenges and the Industry's Way Forward

We are pleased to announce the publication of a new white paper, *Interval Funds: Operational Challenges and the Industry's Way Forward*.

Interval funds are continuously offered closed-end funds that redeem shares by making periodic repurchase offers ("tenders" or "redemptions") at net asset value (NAV) in compliance with SEC Rule 23c-3 under the 1940 Act, as amended in 1993. The number and size of interval fund products are increasing, placing stress on current industry capabilities to efficiently and effectively support interval fund operations. These challenges arise from interval funds' unique combination of operating characteristics that do not fully align with either prevailing technologies or related service models used for closed- or open-end funds.

In response, the Investment Company Institute's Broker/Dealer Advisory Committee formed its Interval Funds Task Force, consisting of fund companies offering interval funds, intermediaries, service providers, and the Depository Trust & Clearing Corporation (DTCC) to improve interval fund back office operational efficiencies and reduce back office operating risk. This white paper is the result of the task force's initial efforts.

The paper is intended to promote understanding of the operations environment supporting interval fund investors from the fund, intermediary, and service provider perspectives. It describes the prevailing methods for trading interval fund shares and explores how each may affect interval fund operational activities, such as periodic share repurchases (including proration), trade correction considerations, and dividend payments to omnibus

accounts. It concludes with outlining the task force's recommended future activities to identify and document common practices, describe technology needs, and pursue additional steps to improve interval fund back office operations.

The white paper may be accessed on the ICI website [here](#).

Questions or comments on the white paper may be directed to the undersigned (jeff.naylor@ici.org; 202-326-5844). We hope the paper will assist the industry as it strives to achieve the best possible outcomes for fund shareholders and other stakeholders when investing in or servicing interval funds.

Jeff Naylor
Director, Operations and Distribution

[Attachment](#)

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.