

**MEMO# 10970**

May 12, 1999

# **DRAFT COMMENT LETTER ON SEC PROPOSALS TO PERMIT CANADIANS IN THE US TO PURCHASE CANADIAN SECURITIES FOR RETIREMENT ACCOUNTS**

1 See Memorandum to International Committee No. 12-99 and SEC Rules Committee No. 22-99, dated March 31, 1999. The comment period for the Commission's proposals ends May 28, 1999. [10970] May 12, 1999 TO: INTERNATIONAL COMMITTEE No. 21-99 SEC RULES COMMITTEE No. 36-99 RE: DRAFT COMMENT LETTER ON SEC PROPOSALS TO PERMIT CANADIANS IN THE US TO PURCHASE CANADIAN SECURITIES FOR RETIREMENT ACCOUNTS

On March 19, 1999 the Securities and Exchange Commission proposed exemptive rules under the federal securities laws to permit Canadians who reside in the US or are temporarily present in the US to purchase Canadian securities, including Canadian mutual funds, for their tax-advantaged Canadian retirement accounts.<sup>1</sup> The proposals respond to issues raised in a rulemaking petition filed with the Commission by the Investment Funds Institute of Canada. The Commission's proposal would allow foreign securities, including Canadian mutual funds, to be offered to Canadians in the US and sold to their Canadian tax-deferred retirement accounts without the securities being registered under the 1933 Act and without the funds being registered under the 1940 Act. Enclosed for your review and comment is a draft Institute comment letter on the proposals. The draft letter focuses primarily on the Commission's proposal to provide relief under Section 7(d) of the 1940 Act to permit Canadian mutual funds to offer and sell their securities to Canadian retirement plan participants in the US without compliance with the 1940 Act. The draft states the Institute is not opposed to the Commission granting relief to Canadian retirement plan participants provided any relief under Section 7(d) is limited to transactions initiated by participants and the Commission retains the ability to effectively monitor compliance with the rule. The draft letter recommends additional conditions to the rule to achieve this end. The letter also recommends that the Commission defer action on the proposals until Canadian securities regulators provide comparable relief for US investors residing in Canada to manage their retirement accounts by investing in publicly offered US securities. If you have any comments or questions regarding the Institute's draft letter, please contact Mary Podesta (telephone: (202) 326-5826, fax: (202) 326-5841, e-mail: [podesta@ici.org](mailto:podesta@ici.org)) or Tamara Reed (telephone: (202) 326-5825, fax: (202) 326-5839, e-mail: [tamara@ici.org](mailto:tamara@ici.org)) no later than Friday, May 21, 1999. Mary S. Podesta Senior Counsel Attachment

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