

**MEMO# 4337**

December 17, 1992

## **INSTITUTE REQUESTS NO-ACTION POSITION FROM MARYLAND FOR SMALL ACCOUNT REDEMPTION**

December 17, 1992 TO: STATE SECURITIES MEMBERS NO. 46-92 OPERATIONS MEMBERS NO. 51-92 TRANSFER AGENT ADVISORY COMMITTEE NO. 75-92 RE: INSTITUTE REQUESTS NO-ACTION POSITION FROM MARYLAND FOR SMALL ACCOUNT REDEMPTION

As you may be aware, legislation was enacted in Maryland, effective October 1, 1992, which authorizes the redemption of a shareholder's account valued at \$500 or less provided certain conditions are met. (See Memorandum to State Securities Members No. 31-92, Operations Members No. 22-92, Transfer Agent Advisory Committee No. 31-92, dated June 15, 1992.) Section 2-310.1 specifically requires the fund to give written notice to the shareholder that is personally delivered or mailed by registered or certified mail, establishes a date for redemption which is at least 45 days from the date of the notice and grants the shareholder the right to object to the redemption. It is our understanding that this provision was intended to apply only to mutual funds organized in Maryland without express charter provisions to redeem small accounts; however, the statute may be construed to apply to all mutual funds organized in Maryland. The Institute submitted the attached letter requesting that the Maryland Division of Securities take no enforcement action against a mutual fund, organized in Maryland, if the fund automatically redeems small accounts as expressly provided for in the charter of the fund, and in accordance with the description of its ability to automatically redeem such small accounts as set forth in its prospectus or statement of additional information. This request was necessitated inasmuch as the procedure set forth in the statute generally is inconsistent with the procedures, terms and conditions set forth in the charters of most mutual funds organized as Maryland corporations. We will keep you advised of developments. Patricia Louie Associate Counsel Attachment