

**MEMO# 6109**

August 3, 1994

## **Institute Memorandum on Fund Investments in Derivatives**

August 3, 1994 TO: ACCOUNTING/TREASURERS MEMBERS NO. 22-94 BOARD OF GOVERNORS NO. 70-94 MEMBERS - ONE PER COMPLEX NO. 56-94 SEC RULES MEMBERS NO. 53-94 RE: INSTITUTE MEMORANDUM ON FUND INVESTMENTS IN DERIVATIVES

At the request of the Institute's Investment Issues Committee (a subcommittee of the Board of Governors), the Institute has prepared the attached memorandum on fund investments in derivatives. Derivatives generally, and fund investments in derivatives in particular, have been the focus of increased scrutiny in recent months by Congress, federal and state regulators, investors and the press. It is likely that such scrutiny will continue. Accordingly, it is important that fund directors and senior management of investment advisers continue to exercise particular diligence with respect to their oversight and compliance responsibilities in this area. The memorandum is intended to assist in this regard. It provides information concerning derivative instruments, discusses certain regulatory and other issues that may arise in connection with fund investments in such instruments, and identifies some possible areas for inquiry and consideration by fund directors and investment advisers. Questions on the memorandum or related issues may be directed to Paul Stevens at (202) 326-5810, Craig Tyle at (202) 326-5815 or Frances Stadler at (202) 326-5822. Matthew P. Fink  
President Attachment

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