

MEMO# 1423

September 26, 1989

INSTITUTE DRAFT COMMENT LETTER ON PROPOSED AMENDMENTS TO RULE 12D3-1

September 26, 1989 TO: SEC RULES COMMITTEE NO. 56-89 RE: INSTITUTE DRAFT
COMMENT LETTER ON PROPOSED AMENDMENTS TO RULE 12D3-1

_____ As we previously informed you, the SEC has proposed amendments to Rule 12d3-1 under the Investment Company Act that would facilitate the acquisition by a registered investment company of equity securities of foreign securities firms. (See Memorandum to SEC Rules Committee No. 48-89, dated August 9, 1989.) Attached is a draft of the Institute's comment letter. In the letter, the Institute argues that there should be no "quality standards" imposed on the acquisition of securities issued by firms engaged in the securities business (domestic and foreign), as such a limitation is not supported by the policies underlying Section 12(d)(3). The letter states that if the Commission is, however, unwilling to remove quality standards from the rule, certain of the conditions on the acquisition of foreign equity securities should be relaxed, including the requirement that such securities be listed on a "qualified foreign exchange" and satisfy other conditions specific to the issuer and the security itself. Comments on the proposed amendments are due October 10. If you have any comments on the Institute's draft please call me at 202/955-3522 no later than 12:00 noon on Friday, October 6. Craig S. Tyle Assistant General Counsel Attachment