

**MEMO# 11803**

April 12, 2000

## **NASD PROPOSED RULE CHANGE RELATING TO INTERVAL FUNDS**

\* SEC Release No. 34-42601 (March 30, 2000), 65 FR 18405 (April 7, 2000). [11803] April 12, 2000 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 13-00 SEC RULES COMMITTEE No. 56-00 RE: NASD PROPOSED RULE CHANGE RELATING TO INTERVAL FUNDS

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The National Association of Securities Dealers, Inc. ("NASD"), through its wholly-owned subsidiary, NASD Regulation, Inc., has filed with the Securities and Exchange Commission ("SEC") a proposed rule change that would exempt interval funds from the filing requirements and limitations on underwriting compensation of NASD Conduct Rule 2710 (the "Corporate Financing Rule") and, instead, subject such offerings to the sales charge limitations of Rule 2830.\* As the SEC release notes, the Institute recommended such a change in response to the NASD's request for comment concerning obsolete NASD rules. A copy of the SEC release is attached and is summarized below. The Corporate Financing Rule regulates the underwriting terms and other arrangements of public offerings of securities, and currently contains an exemption for offerings of securities of investment companies registered under the Investment Company Act of 1940, other than closed-end management investment companies. Under the proposed rule change, this exemption would be expanded to include "securities of any 'closed-end' investment company as defined in Section 5(a)(2) of [the Investment Company] Act that: (i) makes periodic repurchase offers pursuant to Rule 23c-3(b) under the Investment Company Act of 1940; and (ii) offers its shares on a continuous basis pursuant to Rule 415(a)(1)(xi) under the Securities Act of 1933." Corresponding proposed changes would subject such offerings to the sales charge and repurchase limitations of Rule 2830. Comments on this proposal are due to the SEC no later than April 28, 2000. If you have any comments you would like the Institute to consider including in a comment letter, please provide them to me by phone at (202) 371-5432, by fax at (202) 326-5827, or by e-mail at [kireland@ici.org](mailto:kireland@ici.org) no later than April 18. Kathy D. Ireland Associate Counsel Attachment