

MEMO# 8620

February 6, 1997

INSTITUTE RESPONSE TO SEC STAFF INQUIRY REGARDING ""PORTABILITY"" OF MUTUAL FUND SHARES

* See Memorandum to Broker/Dealer Advisory Committee No. 20-96, Operations Committee No. 34-96, SEC Rules Committee No. 132-96 and Transfer Agent Advisory Committee No. 71-96, dated December 19, 1996. February 6, 1997 TO: BROKER/DEALER ADVISORY COMMITTEE No. 3-97 OPERATIONS COMMITTEE No. 3-97 SEC RULES COMMITTEE No. 15-97 TRANSFER AGENT ADVISORY COMMITTEE No. 6-97 RE: INSTITUTE RESPONSE TO SEC STAFF INQUIRY REGARDING ""PORTABILITY"" OF MUTUAL FUND SHARES

As we previously informed you, the SEC staff recently requested information from the Institute concerning the "portability" of mutual fund shares.* The Institute has sent the attached response to the staff. The attached letter expresses the Institutes understanding that in most cases, there are no express restrictions on mutual fund portability. In addition, the letter indicates that there appears to be a trend towards eliminating certain restrictions that existed in the past (e.g., in the case of proprietary mutual funds). The letter states that several operational considerations may affect the ease with which a transfer can occur, as well as ongoing account maintenance after the transfer. After discussing those considerations in greater detail, the letter concludes that, while full portability has yet to be realized, the concerns addressed in the SEC staffs letter and attached correspondence are being addressed in the marketplace, and there is no need for SEC rulemaking in this area. Kevin Farragher Director - Operations Distribution & Service