

MEMO# 3775

May 13, 1992

INSTITUTE WRITES OHIO AND SOUTH DAKOTA REQUESTING REPEAL OF INVESTMENT RESTRICTIONS, UPDATE ON WISCONSIN AND ARKANSAS

May 13, 1992 TO: STATE SECURITIES MEMBERS NO. 22-92 SEC RULES COMMITTEE NO. 33-92 RE: INSTITUTE WRITES OHIO AND SOUTH DAKOTA REQUESTING REPEAL OF INVESTMENT RESTRICTIONS, UPDATE ON WISCONSIN AND ARKANSAS

As you know, the Institute previously wrote to the securities administrators of Arkansas, Indiana and Wisconsin to request that the securities division suspend or repeal application of the state restriction on investing in illiquid securities in light of the SEC's amendment to the Guidelines to Form N-1A. This amendment permits mutual funds to increase from 10% to 15% the amount of illiquid assets they may hold. (See Memorandum to State Securities Members No. 19-92, SEC Rules Committee No. 24-92, dated April 28, 1992.) The Institute recently wrote to the securities administrators of Ohio and South Dakota to request similar relief. The Institute also requested that these states repeal or revise the investment limitation in restricted securities to permit the unlimited investment in Rule 144A securities by a mutual fund. A copy of the Institute's letter to Ohio and South Dakota is attached. Also, the Institute has been advised that the staff of the Wisconsin Securities Commission will be considering a possible amendment of its investment restriction in connection with the annual rules revision process which begins in June. During the interim, the staff of the Wisconsin Securities Commission recommends that a fund wishing to invest up to 15% of its assets in illiquid securities request a waiver of the applicable provisions of Section SEC 3.09. Moreover, the Institute has been advised that the staff of the Arkansas Securities Division is undertaking a review of the necessity of the CSAC Guidelines on Open-end Investment Companies. However, any formal action with respect to the CSAC Guidelines will not be taken for several months. Therefore, a fund wishing to invest 15% of its assets in illiquid securities should submit a request for waiver of the investment restriction which will be reviewed on a case-by-case basis. We will keep you advised of developments. Patricia Louie
Assistant General Counsel Attachments