INVESTMENT COMPANY INSTITUTE

MEMO# 7950

June 10, 1996

INSTITUTE COMMENT LETTER ON PROPOSED AMENDMENTS TO RULE 10F-3

1 See Memorandum to SEC Rules Committee No. 21-96, dated March 22, 1996. June 10, 1996 TO: SEC RULES COMMITTEE No. 55-96 RE: INSTITUTE COMMENT LETTER ON PROPOSED AMENDMENTS TO RULE 10f-3 ____ The Institute has filed the attached comment letter concerning the SECs proposed amendments to Rule 10f-3 under the Investment Company Act.1 The letter strongly supports the SECs efforts to expand the scope and flexibility of the rule but urges the SEC to further broaden several of its proposals. The letter is summarized below. The Institutes letter first recommends that the SEC eliminate the limit in Rule 10f-3 on the amount of an offering that funds may purchase under the rule (rather than raising it slightly, as the SEC had proposed). The letter then suggests that the SEC adopt a limit of 50% of the total principal amount an offering if it determines that such a limit remains necessary. The Institutes letter supports the SECs proposal to permit purchases of foreign securities under Rule 10f-3, but recommends that such purchases not be limited to publicly offered securities. The letter suggests that in the case of non-publicly offered foreign securities (other than certain Rule 144A securities, as noted below), the rule apply a quantitative limit to the amount of the offering that funds may purchase. The letter also supports the SECs proposal to expand Rule 10f-3 to cover Rule 144A securities of foreign issuers where there is a concurrent public offering of securities of the same class. It suggests, however, further expansion of the rule to cover both domestic Rule 144A offerings and foreign issuer Rule 144A offerings that do not involve a concurrent public offering of securities of the same class. The letter recommends that a quantitative limit apply in the latter two cases. The Institutes letter proposes that the SEC broaden its proposal regarding municipal securities purchases to allow funds to place either "group orders" (pursuant to which an affiliated underwriter receives credit for its pro rata share of the order) or "designated orders," provided that in the case of a designated order naming an affiliated underwriter, the affiliated underwriter may not receive a commission on more than its underwriting share of the order (i.e., the same amount it would receive on a group order). Frances M. Stadler Associate Counsel