

MEMO# 2515

February 4, 1991

INSTITUTE LETTER TO SEC STAFF TO CLARIFY HYBRID FUND PROPOSAL

February 4, 1991 TO: BOARD OF GOVERNORS NO. 9-91 CLOSED-END FUND MEMBERS NO. 5-91 CLOSED-END FUND DIVISIONAL COMMITTEE RE: INSTITUTE LETTER TO SEC STAFF TO CLARIFY HYBRID FUND PROPOSAL

The Institute submitted the attached letter to the SEC staff to clarify the recommendation in our letter on the SEC's study of the reform of regulation of investment companies to permit the creation of funds offering periodic redemptions. Specifically, the Institute clarified that such funds should be classified as a third type of management investment company rather than as a modified open-end or closed-end fund. This letter was submitted in response to concerns that were raised that if the hybrid structure were adopted as a type of closed-end fund, all closed-end funds could be forced to offer periodic redemptions. Those closed-end funds that do not have a relationship with a distributing organization felt that they could not offer periodic redemptions, since they would not be able to continuously offer fund shares. Thus, there was concern that the Institute's proposal, as originally submitted, could jeopardize the existence of the traditional closed-end fund. Amy B.R. Lancellotta Assistant General Counsel Attachment

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