

MEMO# 1625

December 26, 1989

LETTER TO FDIC REGARDING PASS-THROUGH OF DEPOSIT INSURANCE

December 26, 1989 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 87-89 RE: LETTER TO FDIC REGARDING PASS-THROUGH OF DEPOSIT INSURANCE

As you know, the Institute has submitted a comment letter to the FDIC in connection with its study of pass-through insurance for individual investors in unit investment trusts and qualified pension plans. (See Institute memo to Unit Investment Trust Members No. 54-89). The attached letter was also sent to the FDIC following a meeting with FDIC staff to discuss the policy rationale underlying the grant of pass-through deposit insurance in some instances but not in others. As noted in the letter, we were unable to determine a consistent rationale for the FDIC's pass-through policies. Particularly in the case of investors in various pooled vehicles, such as bank common and collective funds on one hand and investment companies on the other, we found little justification for the distinctions previously drawn. The letter urges the FDIC to develop a more consistent approach to functionally equivalent pooled vehicles. If investors in bank-pooled funds are to continue to receive the benefits of pass-through deposit insurance, the FDIC should also extend pass-through insurance to investment companies investors. We will keep you informed of developments. Catherine L. Heron
Deputy General Counsel

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