

**MEMO# 2385**

December 14, 1990

## **EARLY CLOSING OF PRIMARY MARKETS ON DECEMBER 24, 1990**

December 14, 1990 TO: MEMBERS - ONE PER COMPLEX NO. 52-90 OPERATIONS MEMBERS  
NO. 36-90 ACCOUNTING/TREASURERS MEMBERS NO. 29-90 RE: EARLY CLOSING OF  
PRIMARY MARKETS ON DECEMBER 24, 1990

A number of fund groups have contacted the Institute regarding the early closing of the stock exchanges on December 24, 1990. The Institute has been formally notified by the New York Stock Exchange (NYSE) and the NASD (NASDAQ) that these markets will be closing at 2:00 p.m. on December 24, 1990. In addition, the Institute has been verbally informed by the American Stock Exchange (AMEX) and the Toronto Stock Exchange, that they will also be closing at 2:00 p.m. and 1:00 p.m. respectively. Pricing of securities is governed by Rule 22c-1, which provides in relevant part that "the current net asset value of any such security shall be computed no less frequently than once daily, Monday through Friday, at the specific time or times during the day that the board of directors of the investment company sets at least annually..." In response to members' inquiries, we have reviewed a number of mutual fund prospectuses regarding pricing disclosure. Many prospectuses state that net asset value per share is determined once daily on each day that the NYSE is open as of the close of the exchange. Therefore, procedures for pricing these funds should not be affected by the early closing of the primary markets on December 24, 1990. However, some prospectuses contain more specific language which set the pricing of the fund's shares at 4:00 p.m. It would appear possible, depending on market conditions, for funds to determine that the fair market value of a security as of 4 p.m. will be the closing price on the relevant exchange, even if the exchange closed at 2 p.m. (Guide 28 to Form N-1A states that "If a security was traded on the valuation date, the last quoted sale price generally is used.") However, some funds have expressed a desire to price at 2 p.m. on December 24th. -2- In discussions with the Institute, the staff of the SEC's Division of Investment Management has stated that fund groups whose prospectus language is restricted to pricing at 4:00 p.m. and who are interested in pricing their funds at 2:00 p.m. can do so if they first obtain approval from the fund's board of directors. Complexes that decide to price their funds at 2:00 p.m. should also consider what pricing procedures will be implemented if orders are received after 2:00 p.m. Prospectus language with regard to fund orders should be reviewed to determine which day's price should be used for such orders and whether approval should be obtained from the fund's board of directors. It is suggested that prospectus language be reviewed carefully. Please contact the Institute should any further questions arise regarding this matter. Donald E. O'Connor Vice President - Operations

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.