

MEMO# 1486

October 23, 1989

INSTITUTE COMMENTS ON PROPOSED REVISIONS TO FORM N-2

October 23, 1989 TO: BOARD OF GOVERNORS NO. 64-89 SEC RULES MEMBERS NO. 61-89
CLOSED-END FUND MEMBERS NO. 60-89 RE: INSTITUTE COMMENTS ON PROPOSED
REVISIONS TO FORM N-2

Attached is the Institute's comment letter on the SEC's proposed revisions to Form N-2, the registration statement for closed-end funds. (See Memorandum to Board of Governors No. 46- 89, SEC Rules Members No. 38-89 and Closed-End Fund Members No. 36-89, dated August 8, 1989.) In its letter, the Institute commented on a number of items in the proposal, the most significant of which include the requirement to disclose the identity of the portfolio manager, the proposed cover page legend describing the tendency of closed-end fund shares to trade at a discount and the method for calculating the total return figure required in the per share table. The Institute also objected to the proposed standardized disclosure for the cover page of the prospectus describing the tendency of closed-end funds to trade at a discount in the secondary market and the risk of loss this creates for those investors purchasing shares in the initial offering. Instead, the Institute recommended that since a fund's performance in the secondary market typically depends on the type of fund it is (e.g., single country equity fund, leveraged bond fund), it is more appropriate for each individual fund to develop this type of disclosure. The Institute's comments on the proposed revisions to the per share table primarily addressed the proposed method for calculating the total return figure required in the table. The Institute suggested that instead of calculating total return based on market price, as proposed by the Commission, it is more appropriate for closed-end funds to reflect total return based on net asset value. However, the Institute commented that it would not object if total return computed on the basis of market price were reflected in the form of a footnote to the per share table. We will keep you informed of further developments. Amy B. Rosenblum Assistant General Counsel
Attachment