

MEMO# 7479

December 13, 1995

INSTITUTE COMMENTS ON OHIO'S PROPOSAL ON ILLIQUID SECURITIES

1 See Memorandum to SEC Rules Committee No. 119-95, State Securities Members No. 46-95, and Unit Investment Trust Members No. 58-95, dated November 10, 1995.

December 13, 1995 TO: SEC RULES COMMITTEE No. 127-95 STATE SECURITIES MEMBERS No. 52-95 UNIT INVESTMENT TRUST MEMBERS No. 66-95 RE: INSTITUTE COMMENTS ON OHIO'S PROPOSAL ON ILLIQUID SECURITIES

As we previously informed you, in November the Ohio Division of Securities (the "Division") proposed for comment amendments to Rule 1301:6-3-09(E)(12) that would conform Ohio's treatment of Rule 144A securities to that of federal law.¹ The proposed amendments would also permit certain rated commercial paper that is sold under Section 4(2) of the Securities Act of 1933 to be considered liquid under specified conditions. Unlike federal law, however, the Division's proposal would not consider unrated commercial paper to be liquid. The Institute recently filed a comment letter on the proposal with the Division. In its letter, the Institute strongly recommends that the Division (1) adopt the provisions in the amendment that relate to Rule 144A securities, (2) either repeal the proposed provisions relating to commercial paper or conform them to federal law, and (3) repeal the several provisions in Ohio's rules that continue to be incongruent with federal law. The provisions we recommend the Division repeal, which are detailed in the Institute's letter, relate to holdings by officers and directors, custodial arrangements, fund investments, investment in other companies, borrowing, load limits, and expense limits. As noted in the Institute's letter, such unique state provisions adversely impact investors by imposing undue and costly compliance burdens on mutual funds, stifle investment opportunities and investments permitted under federal law, divert valuable resources away from activities that provide greater benefit to investors such as education and enforcement, and frustrate national policies, such as simplified prospectuses. A copy of the Institute's comment letter is attached. Tamara K. Cain
Assistant Counsel Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Information Resource Center at (202)326-8305 or (202)326-5903, and ask for this memo's attachment number: 7479.

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