

MEMO# 979

February 10, 1989

SEC NO ACTION LETTER REGARDING STRIPPED COUPON MUNICIPAL SECURITIES

February 10, 1989 TO: SEC RULES MEMBERS NO. 10-89 UNIT INVESTMENT TRUST MEMBERS NO. 13-89 CLOSED-END FUND MEMBERS NO. 9-89 RE: SEC NO ACTION LETTER REGARDING STRIPPED COUPON MUNICIPAL SECURITIES

_____ The Municipal Securities Rulemaking Board (MSRB) has filed with the SEC's Division of Market Regulation a letter asking whether the Division would take the position that certain instruments representing ownership of interest and principal payments on municipal securities ("stripped coupon municipal securities") are municipal securities under Section 3(a)(29) of the Securities Exchange Act of 1934 (1934 Act) and therefore subject to the MSRB's rules under Section 15B of the 1934 Act. The MSRB states that it is making this inquiry because although the stripped coupons were generally being treated as municipal securities, there was not total uniformity in this respect. The Division of Market Regulation responded that it would view stripped coupon municipal securities as municipal securities for purposes of Section 15B of the 1934 Act. Their position is based, in part, on the representation that the owners of the stripped coupon securities will have all the rights and privileges of owners of the underlying municipal securities. The MSRB's letter and the Division of Market Regulations response are attached. This position, that stripped coupon municipal securities will be treated as municipal securities, may have implications, for example, with respect to diversification, concentration and fund name, for investment companies which invest in these instruments. Susan P. Hart Assistant General Counsel Attachment

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