

**MEMO# 1510**

November 2, 1989

# **INSTITUTE COMMENT LETTER ON AMENDMENTS TO RULES UNDER SECTION 16**

November 2, 1989 TO: SEC RULES COMMITTEE NO. 65-89 CLOSED-END FUND COMMITTEE NO. 47-89 UNIT INVESTMENT TRUST COMMITTEE NO. 73-89 INVESTMENT ADVISERS COMMITTEE NO. 44-89 RE: INSTITUTE COMMENT LETTER ON AMENDMENTS TO RULES UNDER SECTION 16 \_\_\_\_\_

As we previously informed you, the SEC has repropose amendments to the rules under Section 16 of the Securities Exchange Act of 1934, governing reporting and short-swing profit recovery of certain insider transactions. (See Memorandum to SEC Rules Committee No. 51-89, Closed-End Fund Committee No. 35-89, Unit Investment Trust Committee No. 53-89 and Investment Advisers Committee No. 35-89, dated August 23, 1989.) Attached is a copy of the Institute's comment letter on the repropose amendments, a draft of which was previously circulated to you. (See Memorandum to SEC Rules Committee No. 64-89, Closed-End Fund Committee No. 45-89, Unit Investment Trust Committee No. 71-89 and Investment Advisers Committee No. 42-89, dated October 16, 1989.) The comment letter makes the same principal points set forth in the draft. Specifically, the Institute (1) supports the proposed exemption for customer accounts managed by "13G Institutions" in determining insider status and opposes the limitations on this exemption discussed in the SEC release, (2) supports the proposed safe harbor for performance fees, but recommends that it be expanded to cover non-performance related fees as well and (3) requests clarification that an investment company will not be deemed an insider if a member of its board of trustees is an insider with respect to a class of securities. We will keep you informed of developments. Craig S. Tyle Associate General Counsel Attachment