

MEMO# 2200

September 20, 1990

WISCONSIN PROPOSES RULE EXCLUDING 144A SECURITIES FROM TEN PERCENT INVESTMENT LIMITATION

September 20, 1990 TO: STATE LIAISON COMMITTEE NO. 24-90 RE: WISCONSIN PROPOSES
RULE EXCLUDING 144A SECURITIES FROM TEN PERCENT INVESTMENT LIMITATION

As we previously informed you, the Institute wrote the Wisconsin Securities Commissioner requesting that the Securities Commission suspend or repeal Section SEC 3.09 of the Wisconsin Administrative Code which imposes certain investment restrictions on open-end investment companies. (See Memorandum to State Liaison Committee No. 14-90, dated July 10, 1990.) We are pleased to inform you that the Wisconsin Securities Commission recently proposed an amendment to SEC 3.09(1)(b) which currently states that not more than 10% of an investment company's assets can be invested in restricted securities. The proposed amendment to SEC 3.09(1)(b) provides that restricted securities eligible for resale pursuant to Rule 144A of the Securities Act of 1933 will be excluded from the 10% investment limitation in restricted securities. A copy of the proposed amendment to SEC 3.09(1)(b) is attached. Although the proposed amendment to SEC 3.09(1)(b) provides a waiver of the Wisconsin investment restriction in restricted securities for Rule 144A securities, other restrictions and disclosure requirements currently contained in the rule have not been amended as requested by the Institute. These provisions include restrictions on investing in real estate investment trusts, investment companies and unseasoned issuers and the disclosure policies with respect to "speculative activities". Written comments on the proposed rules may be submitted to the Commissioner of Securities through October 4, 1990. A hearing on the proposed rules will be held at 10:00 a.m., Thursday, October 4, 1990. We will keep you advised of developments. Patricia Louie Assistant General Counsel Attachment