The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

MEMO# 4155

October 6, 1992

INSTITUTE COMMENT LETTER ON PROPOSED EXEMPTIVE RULES CONCERNING LIMITED PARTNERSHIP INVESTMENT COMPANIES

October 6, 1992 TO: SEC RULES COMMITTEE NO. 74-92 CLOSED-END FUND COMMITTEE NO. 25-92 RE: INSTITUTE COMMENT LETTER ON PROPOSED EXEMPTIVE RULES CONCERNING LIMITED PARTNERSHIP INVESTMENT COMPANIES

_____ As we previously informed you, the Securities and Exchange Commission recently proposed for comment exemptive rules under the Investment Company Act of 1940 that would (1) conditionally exempt general partners serving as directors of an investment company organized as a limited partnership from the definition of "interested person" contained in the Act and (2) exempt limited partners of such an investment company from the definition of "affiliated person" in the Act. (See Memorandum to SEC Rules Committee No. 57-92, Closed-End Fund Committee No. 14-92, dated August 6, 1992.) The proposed rules are intended to eliminate the need for investment companies organized as limited partnerships to seek exemptive relief from the Commission to enable them to operate. The Institute has filed the attached comment letter with the SEC in response to this proposal. The Institute's comment letter focuses on proposed Rule 2a19-2, which the proposing release states is intended to "give the director general partners of limited partnership investment companies meeting the requirements of the rule the same treatment afforded directors of corporations under the interested person definition." Specifically, the Institute's letter recommends changes to delete the conditions in the proposed rule relating to the investment company's maintaining partnership status under federal tax law, on the grounds that investment companies organized in other forms are not subject to any similar requirement with respect to their federal tax status. The letter then suggests two changes that should be made if the Commission is not inclined to delete those conditions. First, the letter proposes that the provision of the rule that would impose restrictions on the ability of a general partner to withdraw from the partnership or reduce the amount of its Federal Tax Status Contribution (as defined in the rule) be narrowed to include only general partners who have an advisory relationship with the investment company. Second, the Institute's letter proposes a technical change to the definition of "Limited Partnership Investment Company" contained in the rule, to clarify that the investment company does not have to be a limited partnership for federal income tax purposes (since no such classification exists under federal tax law classification rules). We will keep you informed of developments. Frances M. Stadler Assistant Counsel Attachment