

MEMO# 10185

August 7, 1998

ICI LETTER REQUESTING SEC TO PERMIT INTERVAL FUNDS TO PAY REGISTRATION FEES BASED ON NET SALES

1 See Memorandum to Closed-End Investment Company Committee No. 12-98, dated July 14, 1998. [10185] August 7, 1998 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 15-98 RE: ICI LETTER REQUESTING SEC TO PERMIT INTERVAL FUNDS TO PAY REGISTRATION FEES BASED ON NET SALES

The Institute submitted the attached letter requesting the SEC to amend the interval fund rule, Rule 23c-3 under the Investment Company Act of 1940, to allow interval funds to pay registration fees based on net sales. The letter is substantially similar to the draft letter previously circulated to the Committee.¹ The letter argues that the same policy considerations that allow open-end funds to net redemptions under Section 24(f) and Rule 24f-2 apply to interval funds. In particular, interval funds making continuous offerings, like open-end funds, face the fundamental issue that Section 24 was meant to address: inadvertent “over sales” (i.e., sales in excess of securities registered). In addition, the letter states that the SEC, based on a determination that it would be “equitable and appropriate” to treat unit investment trusts similarly to open-end funds, permits unit investment trusts to pay registration fees only on net sales. Considerations of fairness suggest that interval funds, which also are obligated to regularly repurchase their shares, should be treated similarly. Finally, the letter asserts that not allowing interval funds to pay registration fees based on net sales could result in inordinately high registration fees for these funds and their shareholders and also could place them at a competitive disadvantage. Amy B.R. Lancellotta Senior Counsel Attachment