MEMO# 4860

June 14, 1993

INSTITUTE LETTER ON PROPOSED OFFERING AND REGISTRATION RULES FOR INTERVAL FUNDS

June 14, 1993 TO: CLOSED-END FUND COMMITTEE NO. 16-93 SEC RULES COMMITTEE NO. 54-93 RE: INSTITUTE LETTER ON PROPOSED OFFERING AND REGISTRATION RULES FOR INTERVAL FUNDS ____ As we previously informed you, the Securities and Exchange Commission has proposed an amendment to Rule 415 and a new rule, Rule 485a, under the Securities Act to allow closed-end interval funds to offer their securities on a continuous or delayed basis and to provide for the automatic effectiveness of post-effective amendments and registration statements filed for the purpose of registering additional securities, respectively. (See Memorandum to Closed-End Fund Members No. 13-93 and SEC Rules Members No. 36-93, dated April 12, 1993.) Attached is a copy of the Institute's comments on these proposals. In its letter, the Institute expressed support for the proposals, but stated that it did not believe that the proposals went far enough in that they do not allow closed-end interval funds to register an indefinite number of shares or to net repurchases against new sales for purposes of determining the registration fees under the Securities Act. The same concerns that these procedures were designed to address with respect to continuous offerings of open- end fund shares exist for closed-end funds that intend to offer their shares on a continuous or intermittent basis. Therefore, it is illogical not to extend to these funds the same procedures that were made available to open-end funds to address those concerns. In addition, the Institute recommended that the proposals be made available to all closed-end funds making repurchases of their shares. The proposals, as drafted, would apply only to closed-end interval funds making periodic repurchases in reliance on Rule 23c-3(b). We asserted that there is no policy justification to distinguish funds making repurchases of their shares outside of Rule 23c-3(b) from funds making periodic repurchases in reliance on that provision, since these funds also would need to replenish their assets through sales of additional shares to offset the effects of any repurchases. Amy B.R. Lancellotta Associate Counsel Attachment