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Institute Paper on Mutual Fund Valuation and Liquidity Issues

February 28, 1997 TO: BOARD OF GOVERNORS No. 16-97 PRIMARY CONTACTS - MEMBER
COMPLEX (MEMBERS - ONE PER COMPLEX) No. 13-97 ACCOUNTING/TREASURERS MEMBERS
No. 9-97 SEC RULES MEMBERS No. 16-97 RE: INSTITUTE PAPER ON MUTUAL FUND
VALUATION AND LIQUIDITY ISSUES

Attached for your review and future reference is a copy of an Institute paper entitled "Valuation and Liquidity Issues for Mutual Funds." In light of their fundamental importance to mutual funds and their shareholders, issues related to valuation and liquidity have been, and likely will continue to be, the subject of significant regulatory and public focus. The Institute has prepared the enclosed paper as a source of practical guidance to members on the processes of valuing portfolio securities and assessing their liquidity. The paper describes, among other things, types of controls that fund groups successfully have developed and implemented to manage those very important processes. The law firm of Kirkpatrick & Lockhart, along with a special industry task force, assisted Institute staff members (principally Frances Stadler, Craig Tyle, Greg Smith and Don Boteler) in drafting this paper. Drafts of the paper were circulated to the SEC Rules Committee and the Accounting/Treasurers Committee, as well as to certain outside auditing firms. I believe you will find the paper to be a unique and valuable resource. Should you have any questions or comments on the paper or any related issues you may direct them to me at (202) 326-5810, or to Craig Tyle at (202) 326-5815 or Frances Stadler at (202) 326-5822. Paul Schott Stevens Senior Vice President General Counsel Attachment

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