

MEMO# 7748

March 28, 1996

DRAFT AGENDA AND DISCUSSION PAPER FOR APRIL 9 MEETING

March 28, 1996 TO: CLOSED-END FUND COMMITTEE No. 8-96 RE: DRAFT AGENDA AND DISCUSSION PAPER FOR APRIL 9 MEETING

_____. Attached is a draft agenda for the Closed-End Fund Committee meeting scheduled for Tuesday, April 9, 1996 at the Investment Company Institute at 10:00 a.m. The meeting will be held in the David Silver Conference Room and lunch will be served following the meeting. Also attached is an outline that I prepared discussing the possible reasons that most closed-end funds have been trading at historically large market discounts. The outline suggests that the lack of flexibility in pricing for closed-funds (i.e., the inability to use spread-load or level-load pricing) ("asset-based pricing"), coupled with the gravitation in open-end fund pricing from time-of-sale broker compensation to asset-based pricing, is emerging as the increasingly dominant cause for the persistent market discounts experienced by closed-end funds. The outline further suggests that the ability of closed-end funds to use asset-based pricing may well improve the discount characteristics for at least the funds so priced and, in any case, would constitute an instance of deregulation that seems desirable in its own right. The outline recommends that the Committee open discussions with the Securities and Exchange Commission staff regarding how best to enable closed-end funds to employ asset-based pricing. We anticipate that much of the April 9th meeting will be devoted to discussing the Committees view on, and issues raised by, closed-end funds use of asset-based pricing. We look forward to seeing you on April 9th. Edmund P. Bergan, Jr. Chairman
Attachments