

MEMO# 4188

October 19, 1992

HYBRID FUNDS PROPOSAL

October 19, 1992 TO: TRANSFER AGENT ADVISORY COMMITTEE NO. 61-92 RE: HYBRID FUNDS PROPOSAL _____ As you know, the Securities and Exchange Commission has proposed the creation of three new types of funds: a. Closed-end funds which could offer to repurchase no less than 5% or more than 25% of their outstanding shares on a periodic basis (e.g., quarterly, annually), b. Open-end funds which could offer redemptions at periodic intervals ("Interval Funds"). These funds would be able to take up to one month (31 days) to pay redemption proceeds, and c. Open-end funds which could extend the payment of redemption proceeds for up to 31 days after receipt of the redemption request ("Extended Payment Funds"). These proposals are summarized in the enclosed SEC Rules Committee Memo No. 52-92, dated August 3, 1992. Attached to the August 3 memo is SEC Release No. 33-6948 which proposes rules and rule amendments necessary for the creation of these funds. The Institute has received extensive input on these proposals from a legal perspective from an ad hoc group of representatives of the Institute's SEC Rules Committee and the Closed-End Fund Committee. This group has voted in favor of both the closed-end fund proposal and the interval fund proposal and against the extended payment fund proposal. We would like you to perform a two-part review of the enclosed proposals. First, please make a broad overview for the purpose of identifying any immediate, fundamental concerns that present important operational difficulties associated with implementation of the proposals. Please provide us with any comments based on your overview of the proposals by October 29, 1992. Second, because the Commission's consideration of the proposals and the Institute's continuing dialogue with its members regarding implementation of the proposals will evolve -2- over the coming weeks and months, please conduct a more in-depth review of the proposals' operational implications and provide us with any more detailed comments by November 30, 1992. Please provide any comments you may have via fax at 202/293-1058. Thank you for your assistance in this matter. Gregory M. Smith Director - Operations/Compliance Attachments