

MEMO# 2918

July 10, 1991

FURTHER UPDATE TO SURVEY OF STATE FIDUCIARY INVESTMENT LAWS

July 10, 1991 TO: INSTITUTIONAL FUNDS COMMITTEE NO. 4-91 RE: FURTHER UPDATE TO SURVEY OF STATE FIDUCIARY INVESTMENT LAWS

Attached is a revised copy of our survey of state fiduciary investment laws, reflecting legislation recently enacted in Missouri, Nevada and South Carolina that permits a fiduciary to invest trust assets in securities of a registered investment company notwithstanding that the fiduciary or its affiliate provides other services, such as investment advisory, custodian or transfer agency services, to the investment company and receives compensation for those services. The effective dates for these provisions are as follows: Missouri - 8/28/91; Nevada - 10/1/91 and South Carolina - 6/12/91. The enclosed survey should replace all prior versions. On a related matter, legislation recently became effective in Alabama regarding the timely investment of idle funds in a fiduciary account. The new law provides, among other things, that absent specific instructions in a governing document, a bank or trust company acting as fiduciary may invest idle fiduciary funds in a money market mutual fund "or any other generally accepted investment vehicle for the investment of idle funds." The legislation states that the investment vehicle may be a mutual fund provided by a third party vendor, even if the fiduciary or an affiliate receives separate compensation from the vendor, or may be a mutual fund provided by the fiduciary or its affiliate for which the fiduciary or affiliate receives compensation as the mutual fund's investment advisor, administrator, trustee, transfer agent or other similar capacity. The fiduciary may net compensation for the investment of idle funds from the yield of the investment, but must disclose this compensation to the current income beneficiary by mailing a separate notice to the beneficiary's last known address. If you have any questions about the survey, please contact me at 202/955-3514. We will keep you informed of further developments. Frances M. Stadler Assistant General Counsel Attachment