

**MEMO# 4974**

July 13, 1993

## **INVESTMENT COMPANY ISSUES UNDER THE PROPOSED REVISION TO ARTICLE 8 OF THE UNIFORM COMMERCIAL CODE**

July 13, 1993 TO: SEC RULES COMMITTEE NO. 63-93 RE: INVESTMENT COMPANY ISSUES  
UNDER THE PROPOSED REVISION TO ARTICLE 8 OF THE UNIFORM COMMERCIAL CODE

As we previously advised you, a drafting committee was formed by the National Conference of Commissioners on Uniform State Laws ("NCCSL") to revise Article 8 of the Uniform Commercial Code which sets forth the rules governing the holding, registration and transfer of investment securities. Earlier this year, the Institute distributed a memorandum outlining the effect the proposed revisions to Article 8 ("the Revision") may have with respect to certain investment company issues. (See Memorandum to SEC Rules Committee No. 8-93, dated January 22, 1993.) Over the past several months, the Institute has been reviewing the most recent draft of the Revision. In connection with this review, we requested outside counsel to prepare a memorandum detailing key issues and considerations for investment companies arising out of the proposed Revision. The memorandum details the (1) effect of the Revision on the risks of holding securities indirectly, (2) allocation of losses resulting from securities intermediary failures, (3) effect on rights of funds that pledge or repo portfolio securities, and (4) provisions relating to securities issued by funds. A copy of the memorandum prepared by outside counsel and the most recent draft of the Revision (dated April 1, 1993) is enclosed. Please provide me with any comments or questions you may have on the Revision by Wednesday, July 28, 1993 in order that such may be included in the Institute's comment letter to the Reporter to the NCCSL Drafting Committee. My direct telephone number is 202/955- 3517 or you may fax your comments to me at 202/659-1519. Patricia Louie Associate Counsel Enclosures