

MEMO# 4183

October 16, 1992

NO-ACTION LETTER PERMITTING INVOLUNTARY REDEMPTION FOR FAILURE TO SUPPLY TIN

October 16, 1992 TO: SEC RULES MEMBERS NO. 47-92 SMALL FUNDS COMMITTEE NO. 17-92 COMPLIANCE COMMITTEE NO. 19-92 TAX MEMBERS NO. 66-92 RE: NO-ACTION LETTER PERMITTING INVOLUNTARY REDEMPTION FOR FAILURE TO SUPPLY TIN

The Division of Investment Management recently stated that it would not recommend enforcement action under the Investment Company Act if open-end funds involuntarily redeem the account of any shareholder who has failed to furnish a certified social security or tax identification number ("TIN") to the funds. The funds had represented that such involuntarily redemptions would reduce unnecessary expenses associated with the maintenance of an account of shareholders who fail to provide a TIN, and therefore should benefit a majority of fund shareholders. The staff noted in its response that the funds do not charge either an initial or deferred sales load, and would not impose any charge for the redemptions. In addition, the funds will (1) give shareholders at least 30 days' notice before involuntarily redeeming shares, (2) disclose the involuntarily redemption procedure in their prospectuses, (3) not involuntarily redeem for any "discriminatory or other improper purposes," and (4) obtain board approval for implementation of the involuntarily redemption procedure. The funds also represented that the procedure would comply with applicable state law. A copy of the funds' letter and the staff's response is attached. Thomas M. Selman Assistant Counsel
Attachment