

**MEMO# 1435**

October 3, 1989

## **INSTITUTE COMMENT LETTER ON PROPOSED RULE 12D-1**

- 1 - October 3, 1989 TO: SEC RULES COMMITTEE NO. 58-89 CLOSED-END FUND COMMITTEE NO. 40-89 UNIT INVESTMENT TRUST COMMITTEE NO. 67-89 INTERNATIONAL FUNDS TASK FORCE NO. 14-89 RE: INSTITUTE COMMENT LETTER ON PROPOSED RULE 12d1-1 \_\_\_\_\_ As we previously informed you, the SEC has issued proposed Rule 12d1-1, which would remove restrictions on registered investment companies purchasing securities of foreign banks and foreign insurance companies. Proposed Rule 12d1-1 would exempt foreign banks and foreign insurance companies from the definition of "investment company" for purposes of Section 12(d)(1)(A) of the 1940 Act, which imposes limitations on the purchase by registered investment companies of shares of other investment companies. (See Memorandum to SEC Rules Committee No. 43-89, Closed-End Fund Committee No. 30-89, Unit Investment Trust Committee No. 40-89 and International Funds Task Force No. 8-89, dated July 31, 1989.) Attached is a copy of the Institute's comment letter on proposed Rule 12d1-1. In the letter, the Institute strongly supports swift adoption of the rule, noting that the purchase of securities issued by bona fide foreign banks and foreign insurance companies does not raise any of the concerns that led to the adoption of Section 12(d)(1)(A). The Institute also recommends that the relief granted in the proposed rule be extended to encompass finance subsidiaries and parent holding companies of foreign banks and foreign insurance companies, and that the adopting release clarify that offshore branches and agencies of foreign banks are within the scope of the rule. The release proposing Rule 12d1-1 contained two alternative definitions of "foreign insurance company". In its comment letter, the Institute recommends that the final rule utilize Alternative II, which did not contain the condition that a foreign insurance company write or reinsure only those types of insurance that have "substantially similar credit, insurance underwriting and investment risk characteristics as those sold in the United States." - 2 - We will keep you informed of developments. Craig S. Tyle Assistant General Counsel Attachment