

**MEMO# 11851**

May 1, 2000

# **INSTITUTE COMMENT LETTER ON NASD PROPOSED RULE CHANGES RELATING TO INTERVAL FUNDS**

\* See Memorandum to Closed-End Investment Company Committee No. 13-00 and SEC Rules Committee No. 56-00, dated April 12, 2000. [11851] May 1, 2000 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 16-00 SEC RULES COMMITTEE No. 67-00 RE: INSTITUTE COMMENT LETTER ON NASD PROPOSED RULE CHANGES RELATING TO INTERVAL FUNDS \_\_\_\_\_ The Institute has filed with the Securities and Exchange Commission the attached comment letter on proposed changes to NASD rules that would exempt certain interval funds from the filing requirements and limitations on underwriting compensation of NASD Conduct Rule 2710 (the "Corporate Financing Rule") and instead subject such offerings to the sales charge limitations of NASD Conduct Rule 2830. \* The letter generally supports the proposal, but recommends two changes. As proposed, the exemption would be limited to funds that (i) make periodic repurchase offers pursuant to Rule 23c-3(b) under the Investment Company Act; and (ii) offer their shares on a continuous basis pursuant to Rule 415(a)(1)(xi) under the Securities Act of 1933. The comment letter recommends that the exemption be expanded to also apply (i) to funds that make periodic self-tenders in compliance with Rule 13e-4 and Schedule 13E-4 under the Securities Exchange Act of 1934; and (ii) to funds that offer their shares on a delayed basis pursuant to Rule 415(a)(1)(xi). Kathy D. Ireland Associate Counsel Attachment