

MEMO# 5965

June 15, 1994

INSTITUTE COMMENT LETTER ON PROPOSED RULE 6C-10

June 15, 1994 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 31-94 OPERATIONS
COMMITTEE NO. 12-94 SEC RULES COMMITTEE NO. 63-94 TAX COMMITTEE NO. 22-94
SUBCOMMITTEE ON PROPOSED RULE 6c-10 RE: INSTITUTE COMMENT LETTER ON
PROPOSED RULE 6c-10 _____ The

Institute has filed with the Securities and Exchange Commission the attached letter concerning proposed Rule 6c-10 under the Investment Company Act of 1940, which would permit mutual funds to impose contingent and non-contingent deferred sales loads without obtaining exemptive relief. As we previously advised you, we understand that the Commission is likely to adopt proposed Rule 6c-10 in some form at the same time it adopts the multiple class proposal. (See Memorandum to SEC Rules Committee No. 44-94, dated April 4, 1994 and Memorandum to Accounting/Treasurers Committee No. 19-94, Operations Committee No. 9-94 and Tax Committee No. 16-94, dated April 27, 1994.) The Institute formed a subcommittee of members which met on May 12 to consider whether any significant issues remain under the proposed rule. The attached comment letter is based on the discussion at that meeting. The Institute's comment letter makes three recommendations with respect to contingent deferred sales loads. First, the two existing methodologies for calculating CDSCs (described in the letter as the "share lot" method and the "dollar" method) should be preserved in the final rule. Second, the prohibition on interest in the proposed rule should be deleted. Third, fund complexes should be permitted to rely on prior exemptive orders with respect to existing funds that have CDSCs in place, and also with respect to new funds organized, or an existing fund that wishes to impose a CDSC, after the rule is adopted (to the extent consistent with such prior orders). The letter recommends that this approach to reliance on prior orders be consistent with that taken under proposed Rule 18f-3 (concerning multiple class funds), and requests confirmation that such is the case. The comment letter further suggests that, to the extent the portion of proposed Rule 6c-10 concerning non-contingent deferred loads, such as installment loads, may require further Commission consideration before it is adopted, the Commission not delay its adoption of the proposed rule as it relates to CDSCs. Frances M. Stadler Associate Counsel Attachment