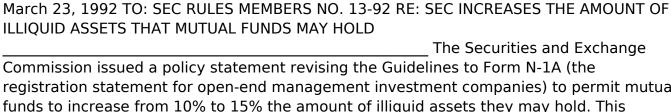
MEMO# 3623

March 23, 1992

SEC INCREASES THE AMOUNT OF ILLIQUID ASSETS THAT MUTUAL FUNDS MAY HOLD



registration statement for open-end management investment companies) to permit mutual funds to increase from 10% to 15% the amount of illiquid assets they may hold. This change became effective on March 20. The increase in the limit on mutual fund holdings of illiquid securities was made in connection with the Commission's efforts to remove unnecessary barriers to capital formation by small businesses. The Commission notes in the release that mutual funds represent a significant potential source of capital for small businesses. However, since the securities of small businesses are generally illiquid, funds are constrained in the amount of such securities that they may purchase. The Commission concluded that increasing the limit from 10% to 15% could make a significant amount of capital available to small business without significantly increasing the risk that a fund will not be able to make timely payment for redeemed shares. A copy of the Commission's release is attached. Amy B.R. Lancellotta Associate General Counsel Attachment

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