

MEMO# 967

February 7, 1989

17J-1 CODES OF ETHICS FOR FUNDS THAT INVEST IN EXEMPT SECURITIES

February 7, 1989 TO: SEC RULES MEMBERS NO. 8-89 RE: 17j-1 CODES OF ETHICS FOR FUNDS THAT INVEST IN EXEMPT SECURITIES

Attached is a copy of the response of the Division of Investment Management to a request for interpretive guidance by the Institute (a copy of which is also attached) concerning whether investment companies that invest only in instruments that do not fall within the definition of "security" in Rule 17j-1 are required to adopt codes of ethics if they do not already have codes of ethics. Previously, the staff had declined to grant no-action relief to an investment company that limited its investments to exempt instruments and sought to rescind an existing code of ethics. (Trust for Credit Unions, pub. avail. October 31, 1988). In subsequent conversations the staff indicated that the fund had been denied no-action relief because the staff does not consider it appropriate to grant such relief with respect to rescissions. The Institute filed the attached letter to seek clarification with respect to the initial adoption of a code of ethics under similar circumstances. In its response to the Institute's request, the staff expressed the view that an investment company that invested only in exempt instruments and that did not have a code of ethics would not be required to adopt a code of ethics under Rule 17j-1. This also would apply to the fund's investment adviser and principal underwriter, if they were not otherwise required to adopt codes of ethics. Craig S. Tyle Assistant General Counsel Attachment

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