

MEMO# 2290

October 26, 1990

STATUS OF SECURITIES TRADED IN A MARKET WHEN THE NORMAL SETTLEMENT PERIOD IS MORE THAN SEVEN DAYS

October 26, 1990 TO: SEC RULES COMMITTEE NO. 57-90 INTERNATIONAL FUNDS TASK
FORCE NO. 25-90 RE: STATUS OF SECURITIES TRADED IN A MARKET WHEN THE NORMAL
SETTLEMENT PERIOD IS MORE THAN SEVEN DAYS

_____ We recently learned of a fund that received a comment from the SEC staff to the effect that any fund security trading in a market where the normal settlement period is longer than seven days would be considered illiquid, at least for the period beyond seven days. Apparently, this position is based upon a staff interpretation of section 22(e) of the 1940, Act which provides that a mutual fund may not delay redemption of its securities beyond seven days. Since the normal settlement period for securities is more than seven days in a number of foreign countries, this interpretation could create a problem for funds investing abroad. To determine whether this issue may become an industry-wide concern, I would appreciate hearing from any other fund group that receives this comment. We will keep you informed of developments.

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