

MEMO# 1342

August 15, 1989

SEC ADOPTS EXAMINATION CERTIFICATE FORMS FOR ACCOUNTANTS

August 15, 1989 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 32-89 CLOSED-END FUND MEMBERS NO. 38-89 INVESTMENT ADVISER MEMBERS NO. 43-89 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 43-89 SEC RULES MEMBERS NO. 43-89 RE: SEC ADOPTS EXAMINATION CERTIFICATE FORMS FOR ACCOUNTANTS

On August 2, 1988, the Securities and Exchange Commission published for comment certain proposed forms under the Investment Company Act 1940 and the Investment Advisers Act of 1940 and proposed amendments to rules under those acts requiring the filing of accountant's certificates. (See Institute Memorandum to SEC Rules Committee No. 43-88, Investment Adviser Committee No. 18-88, Accounting/Treasurers Advisory Committee No. 30-88 and Closed-End Fund Committee No. 20-88, dated August 15, 1988.) In the attached release, the Commission adopted the forms and rule amendments as proposed. These forms and rules become effective on September 25, 1989. Pursuant to Rules 17f-1 and 17f-2 under the Investment Company Act of 1940 and Rule 206(4)-2 under the Investment Advisers Act of 1940, an independent public accountant currently must verify the actual examination of client securities or funds in the custody of the investment company or investment adviser. After the examination, the accountant must promptly file with the Commission a certificate stating that it has made the appropriate examination and describe the extent of the examination. The forms adopted will serve as cover sheets for the examination certificates that the Commission rules now require. The examination certificates will be attached to the cover sheets which will simply verify that an accountant has actually inspected either (1) securities or similar investments of a management investment company that are placed in the custody of a member of a national securities exchange (see Rule 17f-1(b)(4) of the 1940 Act); (2) securities and similar investments of a management investment company maintained in the custody of the investment company (see Rule 17f-2(f) of the 1940 Act); or (3) securities and funds of clients in the custody of an investment adviser (see Rule 206(4)-2(a)(5)). The Commission believes that the adopted forms and rules will result in greater accessibility of information for investors and will facilitate staff verification of compliance with examination requirements. Robert L. Bunnen, Jr. Assistant General Counsel Attachment