

MEMO# 1242

October 10, 1989

IRS PRIVATE LETTER RULING ON FUNCTIONAL CURRENCY OTHER THAN THE U.S. DOLLAR

October 10, 1989 TO: TAX MEMBERS NO. 38-89 CLOSED-END FUND MEMBERS NO. 52-89 INTERNATIONAL FUNDS TASK FORCE NO. 16-89 ACCOUNTING/TREASURERS COMMITTEE NO. 44-89 RE: IRS PRIVATE LETTER RULING ON FUNCTIONAL CURRENCY OTHER THAN THE U.S. DOLLAR _____ In the attached private letter ruling released earlier this year, the Internal Revenue Service addressed several tax computation issues arising from the foreign currency rules of Code sections 985 through 989. The regulated investment company ("RIC") involved in this ruling is a closed-end fund investing in only one (foreign) country (a "single-country fund"). For purposes of this ruling, the IRS assumed that this RIC has a qualified business unit ("QBU") and that the foreign country's currency is the QBU's functional currency. Recently, final regulations were issued which affirmatively answer the question of whether a RIC can have a QBU with a functional currency other than the U.S. dollar (See Institute Memorandum to Tax Members No. 37-89, Closed-End Fund Members No. 51-89, International Funds Task Force No. 15-89 and Accounting/Treasurers Committee No. 43-89, dated October 9, 1989). The single-country fund in this ruling requested and received several rulings regarding how it and its QBU are to compute their income for tax purposes and value their assets for RIC qualification purposes. We will keep you informed of developments. Keith D. Lawson
Assistant General Counsel Attachment

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