

MEMO# 3736

April 28, 1992

INSTITUTE REQUESTS REPEAL OF STATE INVESTMENT RESTRICTIONS

April 28, 1992 TO: STATE SECURITIES MEMBERS NO. 19-92 SEC RULES COMMITTEE NO. 24-92 RE: INSTITUTE REQUESTS REPEAL OF STATE INVESTMENT RESTRICTIONS

The Institute recently wrote the securities administrators of Arkansas, Indiana and Wisconsin to request that the securities division suspend or repeal application of the state investment restrictions on open-end investment companies. The Institute expressed concern that due to changing market conditions, industry technology and innovation, several of the investment limitations imposed by these states are inconsistent with those permitted on the federal level. In particular, the Institute requested that the investment restrictions pertaining to investment in illiquid assets be amended in light of the SEC's recent amendment to the Guidelines to Form N-1A. This amendment, which became effective on March 20, 1992, permits mutual funds to increase from 10% to 15% the amount of illiquid assets they may hold. The Institute also requested Arkansas and Indiana to repeal or revise the investment limitation in restricted securities to permit the investment in Rule 144A securities by a mutual fund. A copy of the Institute's letter to each of these states is attached. We will also be contacting Missouri, Ohio and South Dakota to request similar relief. We will keep you advised of developments. Patricia Louie Assistant General Counsel Attachments

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