

MEMO# 5942

June 2, 1994

NEWSPAPER REPORTING OF CLOSED-END FUND DIVIDENDS

June 2, 1994 TO: CLOSED-END FUND COMMITTEE NO. 13-94 RE: NEWSPAPER REPORTING OF CLOSED-END FUND DIVIDENDS

At the last Committee meeting, several members identified some problems with the reporting of closed-end fund dividends and, consequently, yield data in the newspapers. Specifically, members stated that the data currently reported in the papers, and in particular The New York Times and The Wall Street Journal, are inconsistent and that the methods used to report the data are incorrect. It is our understanding that The New York Times (which obtains its data from Tribune Media Services) reports a dividend figure that is calculated by multiplying the amount of the most recent payment by the frequency of payments that the fund will make annually (e.g., a recent dividend payment of 10 cents would be multiplied by 4 for a fund that declares quarterly dividends and a 40 cent dividend would be reported). This method often misstates the actual dividends that a fund annually distributes because it does not take into consideration that the amount of a fund's year-end dividend payment is usually different than the amount of the other dividend payments made throughout the year. This occurs because funds generally do not know the precise amount of ordinary income they will earn during the year that must be distributed pursuant to the requirements under Subchapter M of the Internal Revenue Code. With respect to the dividend data reported in The Wall Street Journal, members stated that it often includes net capital gains distributions. As discussed at the meeting, the Institute intends to recommend that the news services modify their methods of reporting dividend information so that they will be consistent and more accurate. Several members suggested that newspapers report the aggregate ordinary dividend payments made by the fund over the preceding 12 months (i.e., the total amount of dividends distributed over the preceding 12 months). A footnote would then need to be added to the tables explaining how the reported dividend was determined. In addition to your general comments on this issue, we are interested in your thoughts on the proposed method for reporting dividend data described above; whether the dividend data for your funds has ever been reported incorrectly and, if so, what the problems were; and whether your firm has had any discussions with the news services about their methods for reporting dividends. Please provide me with your comments by June 22, 1994. My direct number is 202/326-5824 and the fax number is 202/326-5828. Amy B.R. Lancellotta Associate Counsel