

MEMO# 1324

August 4, 1989

PROPOSED RULE 144A -- DEFINITION OF "ILLIQUID SECURITY"

August 4, 1989 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 48-89 RE: PROPOSED RULE 144A -- DEFINITION OF "ILLIQUID SECURITY"

As we previously informed you, the SEC has repropose Rule 144A, which would provide a safe harbor from registration for certain resales of privately placed securities. (See Memorandum to Unit Investment Trust Committee No. 35-89, dated July 17, 1989.) In response to comments by the Institute and others, the Release states that the Commission is considering revising its position on restricted securities so that, if Rule 144A is adopted, those securities eligible for resale under Rule 144A would not be considered illiquid securities per se for purposes of portfolio restrictions on mutual funds and UITs. Instead, liquidity "would be a question of fact for the board of directors to determine". Since UITs would not be able to rely on the revised restrictions, as proposed, please consider what alternatives would be appropriate. I suggest that we discuss this matter after our meeting on performance data on August 10. Craig S. Tyle Assistant General Counsel

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