

COMMENT LETTER

March 26, 2020

SEC Response to 17a-9 Relief Request (pdf)

March 26, 2020 Ms. Susan Olson Investment Company Institute 1401 H Street NW Washington D.C. 20005 Dear Ms. Olson: Based on the information contained in your March 25, 2020 letter, the staff of the Division of Investment Management (the “Staff”) will not recommend enforcement action to the Securities and Exchange Commission against any open-end investment company that is registered under the Investment Company Act of 1940 (the “Act”) that is not an exchange-traded fund¹ and that does not hold itself out as a money market fund (each, a “Fund”), or any affiliated person of the Fund (or any affiliated person of such person) that is not a registered investment company that purchases a debt security from a Fund (each, a “Purchaser”), under Section 17(a) of the Act, if a Purchaser purchases debt securities from a Fund, under the circumstances and subject to the conditions described below (the “Affiliated Purchases”). You state that, because of the coronavirus disease (COVID-19) outbreak, there is a short- term dislocation in the market for a variety of debt securities (including, without limitation, commercial paper, corporate debt securities, certificates of deposit, asset-backed debt securities and municipal obligations). We further understand that Purchasers may wish to purchase debt securities from the Funds in light of these dislocations to enhance the Funds liquidity and to fund shareholder redemptions, considering the significant securities market disruptions related to the COVID-19 outbreak, but are unable to do so due to the restrictions on affiliated transactions contained in Section 17(a) of the Act. You further state that these securities are held by registered open-end investment companies who are not able to rely on rule 17a-9 under the Act because they do not hold themselves out as money market funds. The staff’s position is based on the following conditions: 1. The purchase price is paid in cash. 1 “Exchange-traded fund” means a fund or class, the shares of which are listed and traded on a national securities exchange, and that has formed and operates under an exemptive order granted by the Commission or in reliance on rule 6c-11 under the Act. 2. The price of the purchased debt security is its fair market value under Section 2(a)(41) of the Act, provided that this price is not materially different from the fair market value of the security indicated by a reliable third-party pricing service (the “Purchase Price”). 3. In the event that the Purchaser thereafter sells the purchased security for a higher price than the purchase price paid to the Fund, the Purchaser shall promptly pay to the Fund the amount by which the subsequent sale price exceeds the purchase price paid to the Fund. If the Purchaser is subject to Sections 23A and 23B of the Federal Reserve Act, this condition does not apply to the extent that it would otherwise conflict with (i) applicable banking regulations or (ii) any applicable exemption from such regulations issued by the Board of Governors of the Federal Reserve System. 4. Within one business day of the purchase of the security, the Fund publicly posts on its website and informs the Staff via email to IM-

EmergencyRelief@sec.gov stating the name of the Fund, the name of the Purchaser, the security(s) purchased (including a legal identifier if available), the amount purchased, and the total price paid. 5. The relief set forth herein shall be in effect on a temporary basis in response to the national emergency concerning the COVID-19 outbreak, which was proclaimed by the President of the United States on March 13, 2020, and will cease to be in effect upon notice from the Staff. Because our position is based on the information in your letter, you should note that any different facts may require a different conclusion. This response expresses our views on enforcement action only and does not express any legal conclusion on the issues presented. Any questions relating to this letter should be directed at Dalia Blass (blassdo@sec.gov), Sarah ten Siethoff (tensiethoffs@sec.gov), Thoreau Bartmann (bartmannt@sec.gov), or Kay-Mario Vobis (vobisk@sec.gov). Very truly yours,
Thoreau Bartmann Senior Special Counsel

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