NASD Regulation, Inc.
Corporate Financing Department
1801 K Street, NW
Washington, DC 20006
(202) 974-2700

May 15, 2000

Katherine A. England, Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-1001

Re: **SR-NASD-99-74**
Exemption From The Corporate Financing Rule For Interval Funds

Dear Ms. England:

NASD Regulation, Inc. ("NASDR") is hereby responding to comments received in response to the publication of the above-referenced rule change for comment in Securities Exchange Act Release No. 42601 (March 30, 2000); 65 FR 18405 (April 7, 2000). The comment period expired on April 28, 2000.

One comment letter was received from the Investment Company Institute ("ICI"). The ICI recommends that the proposed exemption from the filing requirements and compensation limitations in NASD Conduct Rule 2710 ("Corporate Financing Rule") for closed-end investment companies that operate as "interval funds" should be extended to interval funds that offer their shares on a periodic basis. The ICI also requests that the proposed exemption be made available to closed-end investment companies that operate as "tender offer funds."

The Corporate Financing Rule and its predecessor rule have long been applied to members' sales of the securities of closed-end funds on the basis that closed-end fund offerings are structured and marketed in a manner that is more similar to and competitive with corporate securities offerings than to open-end mutual funds. The proposed requirement that the exemption only be available for those closed-end funds that issue securities on a "continuous" basis pursuant to Rule 415(a)(1)(xi) was intended to ensure that the fund's manner of financing the distribution of shares would be the same as that for mutual funds that offer shares on a continuous basis. Closed-end funds that offer their

shares on a periodic basis may decide to finance the distribution in a manner more similar to corporate offerings than the broker/dealer compensation methods used by mutual funds. Therefore, NASDR does not propose to extend the proposed exemption to closed-end funds that offer their shares periodically.

Although some tender offer funds offer their shares continuously and periodically self-tender, these funds do not establish as a fundamental policy that they will make periodic repurchases. The discretion whether to make periodic repurchases provides a tender offer fund with the flexibility to decide whether it needs to continuously offer shares in order to replenish fund assets. If a tender offer fund decides to offer shares on a periodic basis, it could compensate broker/dealers in the same manner as corporate issuers. Therefore, NASDR does not propose to amend the proposal to allow the exemption to be available to tender offer funds.

NASDR continues to prefer to gain experience regarding financing structure of tender offer funds through the exemptive process under the Rule 9600 series. NASDR granted an individual exemption from the filing and compensation requirements of the Corporate Financing Rule pursuant to the Rule 9600 series to a family of funds that agreed, as a condition of the exemption, to make at least four tender offers annually. This exemption is publicly available at www.nasd.com. No additional similar requests for exemption have been submitted to NASDR.

If you have any questions, please contact me at (202) 974-2747; e-mail rothwels@nasd.com. The fax number of the Corporate Financing Department is (202) 974-2732.

Very truly yours,

Suzanne E. Rothwell
Chief Counsel, Corporate Financing