



# BULLETIN

No. B-88-4

September 15, 1988

This BULLETIN will clarify the Commissioner's position relative to investment by state-chartered savings and loan associations in open-end management investment companies ("Mutual Funds").

State law permits state associations to invest, either separately or in the aggregate, up to twenty-five percent (25%) of an association's total assets in certain enumerated investments. Among these investments are mutual funds. T.C.A. Section 45-3-601(2)(E) provides:

"Every association shall have the power to invest in securities as set forth hereinbelow: "

(1)...

(2) Twenty-Five Percent-of-Asset Limitation. The following investments, either separately or in the aggregate, shall be subject to a limitation of twenty-five percent (25%) of an association's total assets:...

(E) Shares or certificates in any open-end management investment company which is registered with the securities and exchange commission under the Investment Company Act of 1940 and the portfolio of which is restricted by such management company's investment policy, changeable only if authorized by shareholder vote, solely to any investments in which an association by law or regulation may invest;..."

While State law permits investment, subject to certain limitations, in mutual funds which meet the criteria of the statute, it is the Commissioner's position that investment in such market-driven, volatile funds may present undue risk to the association.