



BULLETIN

No: B-87-1

December 31, 1986

The Tennessee Department of Financial Institutions has reviewed the following open-end management investment companies' prospectuses. In the opinion of the Commissioner, the "mutual funds" listed in Appendix A appear to meet the statutory criteria for permissible investment by state-chartered banks as set out by T.C.A. §45-2-607(a)(12) and (13) [Public Chapter 602, Acts of 1986]. State law further provides that a state bank may invest in "such other investments as are authorized national banks or member banks of the federal reserve system." [TCA §45-2-607(a)(14).] The Comptroller of the Currency has recently issued a Banking Circular approving the investment by national banks in mutual funds, subject to specified criteria and limitations. (Copy attached.)

The Department reminds the Boards of Directors of all state banks that it remains the responsibility of a bank's directorate to ensure that any particular investment is a proper holding for the bank's investment portfolio. Each holding of shares of an investment company must be reviewed at least quarterly in order to determine whether that particular investment company continues to be appropriate for the bank's investment portfolio. The Department endorses no particular investment vehicle.

A state bank's investment in the adjustable rate preferred stock of any one (1) company shall not exceed ten percent (10%) of the bank's capital and surplus (which includes undivided profits), and the total investment in all preferred stocks shall not exceed fifty percent (50%) of the bank's capital, surplus and undivided profits.

A state bank's investment in the shares or certificates in any one (1) open-end investment company shall be limited to not more than ten percent (10%) of the bank's capital, surplus and undivided profits; the banks' investment in the shares or certificates of all open-end investment companies shall not exceed fifty percent (50%) of the total of the bank's capital, surplus and undivided profits.

Also included in this BULLETIN is a list of those mutual funds which have been reviewed by the Department and which, in the opinion of its legal counsel, do not meet the statutory criteria for investment by state banks (Appendix B.)

BULLETIN B-87-1
December 31, 1986
Page Two

The attached lists will be reviewed periodically and you will receive updates as funds are added to either list.

CONTACTS FOR FUTURE INFORMATION:

Kathryn R. Edge, Assistant Commissioner and Legal Counsel,
(615) 741-2236 or

Greg Gonzales, Staff Attorney, (615) 741-2236.