

MEMO# 24495

August 17, 2010

Revised SEC Staff Response To ICI Request For Interpretation Under Rule 2a-7

[24495]

August 17, 2010

TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 38-10
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 34-10
SEC RULES MEMBERS No. 81-10 RE: REVISED SEC STAFF RESPONSE TO ICI REQUEST FOR
INTERPRETATION UNDER RULE 2A-7

We recently informed you that the staff of the Securities and Exchange Commission's Division of Investment Management had issued a favorable response to an ICI request for an interpretation under amended Rule 2a-7 under the Investment Company Act of 1940.

[\[1\]](#)

As previously indicated, ICI's request letter sought the staff's concurrence that money market funds may treat short-term floating rate securities as short-term variable rate securities for purposes of determining portfolio maturity under Rule 2a-7(c)(2)(iii). ICI's letter explained that the wording of Rule 2a-7(d)(4)) creates uncertainty concerning how the maturity of floating rate securities with stated maturities of 397 days or less subject to a Demand Feature should be determined for purposes of calculating a money market fund's weighted average life to maturity ("WAL"). In its request letter, ICI expressed the belief that the requested interpretation would allow funds, when calculating WAL, to use Demand Features, when relevant, to shorten the maturities of either floating rate or variable rate securities.

The staff's original response stated that for purposes of calculating weighted average portfolio maturity under Rule 2a-7(c)(2)(iii), a money market fund may treat short-term floating rate securities that are subject to an unconditional demand feature as having a maturity equal to the period remaining until the principal can be recovered through demand (emphasis added). Based on follow-up communications initiated by ICI, the staff's revised response no longer refers to "unconditional" demand features and thus

encompasses short-term floating rate securities subject to either conditional or unconditional demand features. [2]

Frances M. Stadler
Deputy Senior Counsel

endnotes

[1] See [Memorandum](#) to Money Market Funds Advisory Committee No. 36-10, Municipal Securities Advisory Committee No. 33-10, and SEC Rules Members No. 78-10 [24484], dated August 11, 2010.

[2] The revised response is available at:
<http://www.sec.gov/divisions/investment/noaction/2010/ici081010.htm>.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.