

MEMO# 32322

March 26, 2020

SEC Staff Provides Temporary No-Action Relief for Money Market Funds

[32322]

March 26, 2020 TO: ICI Members

Investment Company Directors SUBJECTS: Compliance

Disclosure

Fund Accounting & Financial Reporting

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Money Market Funds

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Risk Oversight RE: SEC Staff Provides Temporary No-Action Relief for Money Market Funds

On March 19, 2020, ICI received temporary emergency relief from Division of Investment Management staff agreeing not to recommend enforcement action against any money market fund or any bank that is an affiliated person of the fund if the affiliated bank purchases securities from the fund in accordance with the conditions described below.[\[1\]](#) The Institute requested this relief because of the significant securities market disruptions caused by outbreaks of the coronavirus disease (COVID-19), which was declared a national emergency by the U.S. Government on March 13, 2020.

Investment Company Act Rule 17a-9 provides an exemption from the prohibitions under Section 17(a), conditionally permitting affiliated persons of a money market fund to purchase securities from the fund. The no-action relief permits bank affiliates to purchase securities from their affiliated money market funds, which otherwise would be unable to do so in reliance on Rule 17a-9 because of conflicting regulations to which they are subject (e.g., Sections 23A and 23B of the Federal Reserve Act and Regulation W).

The no-action relief is subject to the following conditions:

1. The purchase price of the purchased security would be its fair market value as determined by a reliable third-party pricing service.
2. The affiliated purchases satisfy the conditions of Rule 17a-9 except to the extent that the terms of such affiliated purchases would otherwise conflict with:
 - i. applicable banking regulations or

- ii. the exemption issued by the Board of Governors of the Federal Reserve System on March 17, 2020, defining “covered transaction” for purposes of Section 23A of the Federal Reserve Act to not include the purchase of assets from an affiliated money market mutual fund.
3. The fund timely files Form N-CR reporting such transaction under Part C of such form, and reports in Part H of such form that the purchase was conducted in reliance on this letter.
4. The relief set forth 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 SEC staff.

Jane G. Heinrichs
Associate General Counsel

Endnotes

[1] See Investment Company Institute Staff No-Action Letter (Mar. 19, 2020), *available at* <https://www.sec.gov/investment/investment-company-institute-031920-17a>. The Institute’s letter to the SEC staff is *available at* <https://www.sec.gov/divisions/investment/noaction/2020/investment-company-institute-031920-17a-incoming.pdf>.

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