

**MEMO# 24484**

August 11, 2010

## **SEC Staff Issues Favorable Response To ICI Request For Interpretation Under Rule 2a-7**

[24484]

August 11, 2010

TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 36-10  
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 33-10  
SEC RULES MEMBERS No. 78-10 RE: SEC STAFF ISSUES FAVORABLE RESPONSE TO ICI  
REQUEST FOR INTERPRETATION UNDER RULE 2A-7

The staff of the Securities and Exchange Commission's Division of Investment Management has issued a favorable response to an ICI request for an interpretation under amended Rule 2a-7 under the Investment Company Act of 1940. [\[1\]](#)

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.

In its response, the staff agreed with ICI's view 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.

Frances M. Stadler  
Deputy Senior Counsel

[Attachment](#)

**endnotes**

[\[1\]](#) The staff's response and ICI's request letter are attached.

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