

MEMO# 33272

March 19, 2021

SEC FAQ Addresses Rule 2a-5 Compliance Date and Effect on Rule 17a-7

[33272]

March 19, 2021 TO: ICI Members
Accounting/Treasurers Committee
SEC Rules Committee
Security Valuation Operations Committee SUBJECTS: Compliance
Fixed Income Securities
Fund Accounting & Financial Reporting
Valuation RE: SEC FAQ Addresses Rule 2a-5 Compliance Date and Effect on Rule 17a-7

The staff of the Division of Investment Management recently released an FAQ indicating that a fund may elect to comply with rule 2a-5 prior to the September 8, 2022 compliance date and not apply the rule's definition of "readily available market quotations" to its cross-trading practices under rule 17a-7 until the compliance date.^[1]

The FAQ notes that rule 2a-5 defines the term readily available market quotations and that the Commission stated that the definition applies in all contexts under the Investment Company Act including for purposes of determining whether a security may be cross-traded under rule 17a-7. Nevertheless, if a fund chooses to comply with rule 2a-5 before its compliance date, the staff would not object if the fund does not apply the rule's definition of readily available market quotations to its cross-trading practices under rule 17a-7 until the September 8, 2022 compliance date.

Gregory M. Smith
Senior Director, Fund Accounting and Compliance

endnotes

^[1] Valuation Frequently Asked Questions (updated March 18, 2021) *available at* <https://www.sec.gov/investment/valuation-faq>.

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