

**MEMO# 27339**

June 27, 2013

## SEC Proposal on Money Market Fund Reform

[27339]

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TO: TAX COMMITTEE No. 19-13 RE: SEC PROPOSAL ON MONEY MARKET FUND REFORM

As we recently discussed at the Tax Committee meeting in San Francisco, the Securities and Exchange Commission ("SEC") has proposed two alternatives for amending Rule 2a-7 and other rules that govern money market funds under the Investment Company Act of 1940. [1] The first alternative would require prime and tax-exempt institutional money market funds to float their net asset value ("NAV"). The second proposal would allow all money market funds to continue transacting at a stable NAV, but in certain circumstances the funds would be required to institute a liquidity fee and permitted to impose redemption gates in times of stress. The Institute recently circulated a memorandum summarizing the SEC's proposals. [2]

The SEC raised a number of tax issues in connection with the floating NAV and liquidity fee/redemption gates proposals. [3] We plan to discuss these issues further, particularly with respect to the liquidity fees, on the next Tax Committee call on Thursday, July 18. [4]

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### endnotes

[1] See Money Market Fund Reform; Amendments to Form PF, SEC Release No. IC-30551 (June 5, 2013), available at <http://www.sec.gov/rules/proposed/2013/33-9408.pdf>.

[2] See Institute [Memorandum](#) (27287), dated June 10, 2013.

[3] The discussion of tax issues arising from a floating NAV are on pages 115 - 120 of the SEC's proposal; the discussion of tax issues arising from the liquidity fees and redemption gates are on pages 206 - 208.

[4] See Institute [Memorandum](#) (27334), dated June 26, 2013.

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