

MEMO# 24468

August 5, 2010

SEC Yield Calculation and Fair Funds Distributions

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TO: ACCOUNTING/TREASURERS MEMBERS No. 25-10
ADVERTISING COMPLIANCE ADVISORY COMMITTEE No. 3-10
COMPLIANCE MEMBERS No. 16-10
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 35-10
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 32-10
SEC RULES MEMBERS No. 76-10 RE: SEC YIELD CALCULATION AND FAIR FUNDS DISTRIBUTIONS

We have been made aware that certain money market funds are including amounts received in connection with “fair funds” distributions established by the Securities and Exchange Commission in their yield calculations (e.g., a fair fund established pursuant to a settlement between the SEC and BISYS Fund Services, Inc. that requires, among other things, a distribution of settlement monies from the fair fund to benefit affected mutual funds). SEC staff has asked us to remind members that when calculating the SEC yield, Form N-1A Item 26 requires calculation of money market fund yields based on the change in value of an account over a 7 day period exclusive of capital changes and income other than investment income. Thus, because a fair funds distribution is usually a one-time payment that would be treated as “income other than investment income” since its source is not an investment, it should be excluded from the SEC yield calculation.

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should not be considered a substitute for, legal advice.