

MEMO# 21299

June 25, 2007

ICI Files Letter Supporting Modified Audit Opinion That Would Enable Money Market Funds to Omit Portfolio Holdings From Shareholder Reports

[21299]

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TO: ACCOUNTING/TREASURERS MEMBERS No. 17-07
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 15-07 RE: ICI FILES LETTER SUPPORTING MODIFIED AUDIT OPINION THAT WOULD ENABLE MONEY MARKET FUNDS TO OMIT PORTFOLIO HOLDINGS FROM SHAREHOLDER REPORTS

The Institute recently filed a letter with the AICPA SEC Regulations Committee supporting a proposed form of audit opinion that would enable money market funds to omit the schedule of investments from their shareholder reports, consistent with recent SEC rule changes. The letter is attached and summarized below.

The Institute's letter indicates that the SEC recently modified its shareholder reporting requirements by enabling money market funds to omit the schedule of investments from their annual and semi-annual reports delivered to shareholders. [\[1\]](#) The schedule of investments would continue to be subject to annual audit and would be filed with the SEC.

Audit firms have been unwilling to provide an unqualified opinion on money market fund financial statements that omit the schedule of investments from the report delivered to shareholders. As a result, money market funds have not been able to omit the schedule of investments as intended by the SEC.

The Institute's letter supports a modified money market fund audit opinion recently developed by the AICPA Investment Company Expert Panel. The proposed money market fund audit opinion would make clear that while the schedule of investments has been

subject to audit, it is not included with the financial statements provided in the shareholder report.

The Institute's letter notes that the types of securities in which money market funds may invest are limited by rule 2a-7 and as a result, the schedule of investments may not assist an investor in evaluating the fund or distinguishing the performance or risk profile of one money market fund from another. In addition, under SEC reporting requirements, the schedule of investments would be available to shareholders upon request and through the Internet.

The Institute's letter estimates that funds could save several million dollars per year in printing and mailing costs by omitting the schedule of investments. The letter notes that printing and mailing costs are typically allocated to the fund and are part of the fund's reported expenses. Accordingly, any savings would benefit the fund and its shareholders by reducing fund expenses.

Gregory M. Smith
Director - Operations/Compliance & Fund Accounting

[Attachment](#)

endnotes

[1] See Institute [Memorandum](#) to Accounting/Treasurers Members No. 13-04 [No. 17177] dated March 4, 2004.

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