

MEMO# 29990

June 20, 2016

Texas Revises Its Blue Sky Rules to Preserve Reduced Fees for Money Market Funds Following the SEC's Reforms

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TO: OPERATIONS MEMBERS No. 17-16

SMALL FUNDS MEMBERS No. 25-16

STATE SECURITIES MEMBERS No. 3-16

TRANSFER AGENT ADVISORY COMMITTEE No. 24-16 RE: TEXAS REVISES ITS BLUE SKY RULES TO PRESERVE REDUCED FEES FOR MONEY MARKET FUNDS FOLLOWING THE SEC'S REFORMS

As you may know, Texas Rule 123.3 has long provided fee relief (i.e., reduced fees) for those money market funds that comply with SEC Rule 2a-7 under the Investment Company Act. Texas' rule, however, conditions the relief on funds complying with the SEC's releases relating to Rule 2a-7 that are cited in the rule. When the SEC last revised Rule 2a-7 in 2014, it was necessary for Texas to revise Rule 123.3 to include a cite to the SEC's release (i.e., Release IC-31166). Indeed, the failure to do so would have precluded money market funds from being able to continue to take advantage of the reduced fees pursuant to Rule 123.3.

We are pleased to report that, as a result of the Institute bringing this issue to the attention of the Texas State Securities Board, the Board amended Rule 123.3 to include a cite to SEC Release IC-31166. As a result, money market funds can continue to rely on Texas' long-standing fee relief. The amendment to Rule 123.3 took effect on June 14, 2016.

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should not be considered a substitute for, legal advice.