

MEMO# 11282

September 30, 1999

SEC NO-ACTION LETTERS PERMIT MONEY MARKET FUNDS TO EXTEND PUT AGREEMENTS WITH AFFILIATES CONCERNING FUNDING AGREEMENTS

1 Centennial Money Market Trust, Oppenheimer Money Market Fund, Inc., Oppenheimer Cash Reserves and Oppenheimer Money Fund (pub. avail. September 22, 1999) ("Centennial"); American Century Prime Money Market Fund and American Century Premium Capital Reserve Fund (pub. avail. September 20, 1999) ("American Century"); Harris Insight Money Market Fund (pub. avail. September 10, 1999); Marshall Money Market Fund (pub. avail. September 10, 1999); The Victory Portfolios: Institutional Money Market Fund, Financial Reserves Fund, Prime Obligations Fund (pub. avail. September 3, 1999). 2 American Century and Centennial, supra note 1. [11282] September 30, 1999 TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 14-99 SEC RULES MEMBERS No. 56-99 RE: SEC NO-ACTION LETTERS PERMIT MONEY MARKET FUNDS TO EXTEND PUT AGREEMENTS WITH AFFILIATES CONCERNING FUNDING AGREEMENTS

The SEC staff recently agreed not to recommend enforcement action under Sections 17(a) and 12(d)(3) of the Investment Company Act of 1940 with respect to the extension of certain "put" agreements entered into by a number of money market mutual funds that held funding agreements that were in default.¹ No-action relief also was granted under Section 17(d) in two of these letters.² The letters are attached and summarized below. Each of the funds owned funding agreements issued by General American Life Insurance Company that were subject to seven-day demand features, and were in default as of the date of the letters. The funds and certain of their affiliates had entered into put agreements in order to avoid potential losses to fund shareholders arising from the default. These put agreements generally gave the funds the right to require that the affiliates purchase the funding agreements from the funds by a particular date at a price equal to the amortized cost, plus accrued interest, of the funding agreements. The funds and their affiliates had entered into the put agreements after the SEC staff gave oral assurances that it would not recommend enforcement action against the funds or the affiliates if the put agreements were effected. Subsequently, Metropolitan Life Insurance Company ("MetLife") announced that it had agreed to acquire the parent of General American, and distributed to the funds a funding agreement exchange offer. The offer generally gave owners of the General American funding agreements the option to (1) receive on October 1, 1999, cash payments equal to the principal amount of the funding agreements, plus accrued interest through September 30, or (2) exchange ³ As noted above, two of the letters also granted no-action relief under Section 17(d). See supra note 2 and accompanying text. the General American funding

agreements on September 29, 1999, for MetLife contracts that would be "substantially identical" to the General American funding agreements. As noted above, however, the put agreements generally provided for automatic exercise of the put features on dates prior to October 1. The funds' boards of directors, including majorities of their independent directors, adopted resolutions finding it in the best interest of the funds and their shareholders to participate in the exchange offer and extend the terms of the put agreements to dates beyond October 1, subject to earlier termination under certain circumstances. The staff agreed not to recommend enforcement action under Sections 17(a) and 12(d)(3) if the funds and their affiliated persons entered into these arrangements.³ The letters noted that the trustees and directors had based their determinations on such factors as the credit quality of MetLife and the affiliates, the current yield of the funding agreements in relation to other short-term obligations of like quality generally available in the market, and the short terms of the extensions of the put agreements. The letters emphasized, however, that the staff's responses express its position on enforcement only and do not express any legal conclusions on the issues presented. Amy B.R. Lancellotta Senior Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment referred to in this Memo, please call the ICI Library at (202) 326-8304, and ask for attachment number 11282. ICI Members may retrieve this Memo and its attachment from ICINet (<http://members.ici.org>).

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