

MEMO# 4192

October 20, 1992

INSTITUTE REQUEST FOR AMENDMENT TO RULE 15C2-4 TO PERMIT INVESTMENT OF OFFERING PROCEEDS IN MONEY MARKET FUNDS

October 20, 1992 TO: INSTITUTIONAL FUNDS COMMITTEE NO. 22-92 SEC RULES
COMMITTEE NO. 78-92 RE: INSTITUTE REQUEST FOR AMENDMENT TO RULE 15c2-4 TO
PERMIT INVESTMENT OF OFFERING PROCEEDS IN MONEY MARKET FUNDS

The Institute has submitted the attached letter to the Division of Market Regulation requesting that the Division recommend to the Commission a proposed amendment to Rule 15c2-4 under the Securities Exchange Act of 1934. Rule 15c2-4 governs the disposition of proceeds of a distribution of securities that is contingent upon the occurrence of some further event, during the period between the receipt of funds from investors and the occurrence (or non-occurrence, as the case may be) of the contingency. The purpose of the proposed amendment is to permit broker-dealers temporarily to invest the proceeds of a non-firm commitment underwriting in shares of a money market mutual fund. Under Rule 15c2-4 as currently in effect, pending the occurrence of the specified contingency, a broker-dealer must either (1) deposit the offering proceeds in a separate bank account, as agent or trustee for the investors, or (2) transmit the funds to a bank escrow agent. The Institute's letter proposes that broker-dealers also have the option of investing the offering proceeds in a money market mutual fund, on the basis that this alternative would provide a convenient and appropriate means of fulfilling the purposes of the rule. We will keep you informed of developments. Frances M. Stadler Assistant Counsel Attachment