

MEMO# 2877

June 24, 1991

REMINDER OF NOTIFICATION REQUIREMENT UNDER RULE 2A-7 UPON THE DEFAULT OF A PORTFOLIO SECURITY

June 24, 1991 TO: MONEY MARKET MEMBERS - ONE PER COMPLEX NO. 18-91 RE: REMINDER OF NOTIFICATION REQUIREMENT UNDER RULE 2a-7 UPON THE DEFAULT OF A PORTFOLIO SECURITY _____ It has come to our attention that Columbia Gas System defaulted on \$15 million of commercial paper and other short-term debt that came due last Thursday. It is our understanding that prior to the default, the commercial paper had been rated A-2 by Standard & Poor's and P-2 by Moody's. The purpose of this memorandum is to remind members that under the recent amendments to Rule 2a-7 of the Investment Company Act, which became effective June 1, a money market fund that holds a defaulted portfolio security that accounts for more than 1/2 of 1% of the fund's assets must promptly notify the SEC of such fact and the actions the fund intends to take in response to such situation. The rule specifically states that such notification should be made "telephonically or by means of facsimile transmission, followed by letter sent by first class mail, directed to the attention of the Director of the Division of Investment Management." (Paragraph (c)(5)(iii) of Rule 2a-7) Amy B.R. Lancellotta Assistant General Counsel