

MEMO# 10430

November 3, 1998

INSTITUTE LETTER TO IRS ON FASIT REGULATIONS

[10430] November 3, 1998 TO: TAX COMMITTEE No. 35-98 RE: INSTITUTE LETTER TO IRS ON FASIT REGULATIONS

_____ As you may recall, the financial asset securitization investment trust ("FASIT") provisions of the Internal Revenue Code were enacted in 1996 to simplify the structure for securitizing certain debt obligations such as credit card receivables, home equity loans and auto loans. In the attached letter to the Internal Revenue Service and the Treasury Department, the Institute recommended that the regulations to be issued under the FASIT provisions clarify that the term "cash equivalents" includes shares of a money market fund. This clarification would permit FASITs temporarily to invest excess cash in money market funds. The letter states, among other things, that many investors hold shares in money market funds for cash management purposes and that money market funds should be treated as "cash equivalents" for purposes of the FASIT regulations because, from a cash management perspective, they function in a manner sufficiently similar to bank accounts. Anne M. Barr Associate Counsel Attachment

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