

MEMO# 7860

May 13, 1996

SEC STAFF INTERPRETIVE LETTER ON AMENDMENTS TO RULE 2A-7

1 See Memorandum to Accounting/Treasurers Members No. 5-96, Money Market Funds Ad Hoc Committee No. 4-96, Money Market Members - One Per Complex No. 1-96 and SEC Rules Members No. 14-96, dated March 25, 1996. May 13, 1996 TO: ACCOUNTING/TREASURERS MEMBERS No. 15-96 MONEY MARKET FUNDS AD HOC COMMITTEE No. 6-96 MONEY MARKET MEMBERS - ONE PER COMPLEX No. 3-96 SEC RULES MEMBERS No. 25-96 RE: SEC STAFF INTERPRETIVE LETTER ON AMENDMENTS TO RULE 2a-7

The staff of the Division of Investment Management has issued an interpretive letter on a variety of issues regarding the recently adopted amendments to Rule 2a-7 under the Investment Company Act of 1940. 1 The letter was prepared in a question and answer format, and responds to inquiries that the staff has received regarding the rule amendments. Specifically, the letter addresses questions dealing with puts, demand features, repurchase agreements, asset backed securities, pre-refunded bonds and several miscellaneous issues (e.g., the need for a shareholder vote to modify a fund's fundamental policy dealing with diversification and clarification of the recordkeeping requirements regarding a fund's minimal credit risk determination). A copy of the staff's letter is attached. Amy B. R. Lancellotta Associate Counsel Attachment