

MEMO# 2000

June 29, 1990

WASHINGTON REQUIREMENT THAT MUTUAL FUNDS AND MONEY MARKET FUNDS MUST POST BOND IF STATE OR LOCAL MUNICIPALITY INVESTS IN FUND

June 29, 1990 TO: SEC RULES MEMBERS NO. 46-90 RE: WASHINGTON REQUIREMENT THAT
MUTUAL FUNDS AND MONEY MARKET FUNDS MUST POST BOND IF STATE OR LOCAL
MUNICIPALITY INVESTS IN FUND

The Institute has recently been made aware of a statute enacted by the Washington Legislature in 1988 that authorizes the state of Washington or local governments in the state of Washington to invest in certain mutual funds or money market funds (RCW 39.59.030). However, the statute requires the mutual fund or money market fund to post a bond with the office of risk management of the department of general administration in the amount of five percent of the amount invested by the state or local government in the fund (RCW 39.59.010(3)(4)). The office of risk management promulgated rules, effective July 1, 1989, outlining the requirements for filing the bond with that agency. The rules require that the bond must be by an approved surety or insurance company of the state of Washington, with an A+ best's rating or higher and the investment advisor must submit his or her full name, name of firm and full address to the office of risk management. Failure to comply with the bond requirement will result in an immediate notice of termination to the investment advisor by the department of general administration. The Institute has retained local counsel in Washington to explore the possibility of a legislative amendment to the statute. Inasmuch as the Washington Legislature has adjourned and will not convene again until January 1991, the Institute will be meeting with the Washington State Treasurer's Office to seek administrative relief. Attached are copies of the statute and relevant administrative regulations. We will keep you informed of developments. Patricia Louie
Assistant General Counsel Attachments