

MEMO# 2471

January 15, 1991

SENATE BANKING COMMITTEE LETTER TO SEC CHAIRMAN BREEDEN ON AMENDMENTS TO RULE 2A-7, RELATING TO MONEY MARKET FUND INVESTMENTS

January 15, 1991 TO: BOARD OF GOVERNORS NO. 7-91 FEDERAL LEGISLATION COMMITTEE NO. 2-91 MONEY MARKET FUNDS AD HOC COMMITTEE NO. 2-91 SEC RULES COMMITTEE NO. 5-91 RE: SENATE BANKING COMMITTEE LETTER TO SEC CHAIRMAN BREEDEN ON AMENDMENTS TO RULE 2a-7, RELATING TO MONEY MARKET FUND INVESTMENTS

In a January 14 letter to Chairman Breeden, Senate Securities Subcommittee Chairman Christopher Dodd and Ranking Minority Member John Heinz commented at length on the public perception of money market mutual funds and on the Commission's proposed amendments to Rule 2a-7. Senators Dodd and Heinz urged the Commission to "thoroughly consider the risks to investors posed by the current recession and to take whatever steps are necessary to enhance the safety of money market fund portfolios and provide protection to investors. We also urge adoption of the proposal to require money market funds to disclose on the cover of the prospectus that the fund is neither insured nor guaranteed." Their letter is a reflection of a growing Congressional interest in money market funds generally, and specifically, in recent accounts that the Commission's "proposal to amend Rule 2a-7 has been criticized by some issuers as overly restrictive." Additionally, in testimony before the Senate Banking Committee last week, Dodd expressed his concern about the weaknesses in the commercial paper market and its effect on shareholders in money funds. At that time as well, Dodd urged Breeden to adopt a "tougher standard." (See Institute Memo to Board of Governors No. 4-91 and Federal Legislation Members No. 1-91 dated January 9, 1991). - 2 - The Institute will keep you informed as this matter develops. Additional information is available from the Legislative Affairs Department (202) 955-3544. This memo can also be found on FUNDS, the Institute's Fund User Network and Delivery Systems, under Legislative Affairs, Upcoming Congressional Hearings. Julie Domenick Vice President Legislative Affairs Attachment