

MEMO# 3344

December 10, 1991

INSTITUTE LETTER TO COMMISSIONER ROBERTS CONCERNING TAX-EXEMPT MONEY MARKET FUND INVESTMENTS IN CERTAIN MUNICIPAL SECURITIES

December 10, 1991 TO: MONEY MARKET FUNDS AD HOC COMMITTEE NO. 32-91
INVESTMENT ISSUES COMMITTEE NO. 21-91 RE: INSTITUTE LETTER TO COMMISSIONER ROBERTS CONCERNING TAX-EXEMPT MONEY MARKET FUND INVESTMENTS IN CERTAIN MUNICIPAL SECURITIES _____ As we previously informed you, SEC Commissioner Richard Y. Roberts delivered the keynote address at the Institute's recent Conference on Creditors' Rights Issues at which he spoke about, among other things, the lack of secondary market disclosure in the debt markets. To address this problem, Mr. Roberts suggested that, as a first step, the Commission consider restricting tax- exempt money market funds from investing in short-term municipal securities of issuers that do not pledge to provide secondary market disclosure. (See Memorandum to Money Market Funds Ad Hoc Committee No. 30-91 and Investment Issues Committee No. 20-91, dated November 26, 1991). In response, the Institute submitted the attached letter to Mr. Roberts discussing its concerns with this approach. In its letter, the Institute stated that restricting only one segment of purchasers of municipal securities (i.e., investment companies) in the manner Mr. Roberts suggested seems to be a less efficient means of imposing disclosure requirements than direct regulation of the issuers of these securities. In addition, the Institute expressed concern that imposing a restriction only on tax-exempt money market funds would place them at a competitive disadvantage vis-a-vis other products not subject to a comparable restriction. We will keep you informed of developments. Amy B.R. Lancellotta Associate General Counsel Attachment