

**MEMO# 4317**

December 11, 1992

# **SEC STAFF LETTER CONCERNING MONEY MARKET FUND INVESTMENT IN ILLIQUID SECURITIES**

December 11, 1992 TO: BOARD OF GOVERNORS NO. 88-92 SEC RULES MEMBERS NO. 68-92  
MONEY MARKET MEMBERS - ONE PER COMPLEX NO. 23-92 RE: SEC STAFF LETTER  
CONCERNING MONEY MARKET FUND INVESTMENT IN ILLIQUID SECURITIES

\_\_\_\_\_ In the attached letter, the SEC's Division of Investment Management states its position that the Guidelines to Form N-1A continue to require that money market funds invest no more than 10 percent of their net assets in illiquid securities. The staff stated that although the Commission revised the Guidelines in March to raise the percentage limitation to 15 percent for most open-end funds, the agency intended to maintain the 10 percent limitation for money market funds. In its letter, the staff noted that the Commission revised the Guidelines only after determining that even during periods of abnormally high selling activity, mutual funds have had no difficulty meeting redemption requests from available cash reserves. According to the staff, "the Commission did not consider the unique liquidity and valuation requirements of money market funds." The staff also reasoned that the fact that small businesses were the intended beneficiaries of the Guidelines revision indicates that the Commission did not intend to raise the standard for money market funds. Thomas M. Selman Assistant Counsel  
Attachment

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