

MEMO# 7136

July 25, 1995

SEC PROPOSES A SIMPLIFIED MONEY MARKET FUND PROSPECTUS AND A QUARTERLY REPORTING REQUIREMENT

1 Release Nos. 33-7196; IC 21216 (July 19, 1995). 2 Release Nos. 34-35991; IC 21217 (July 19, 1995). July 25, 1995 TO: ACCOUNTING/TREASURERS COMMITTEE No. 29-95 MONEY MARKET FUNDS AD HOC COMMITTEE No. 9-95 SEC RULES COMMITTEE No. 84-95 RE: SEC PROPOSES A SIMPLIFIED MONEY MARKET FUND PROSPECTUS AND A QUARTERLY REPORTING REQUIREMENT

The Securities and Exchange Commission has issued for public comment two proposals relating to money market funds. First, the Commission has proposed amendments to Form N-1A to tailor the prospectus disclosure requirements to the unique characteristics of money market funds.¹ Second, the Commission has proposed a new rule under the Investment Company Act, Rule 30b3-1, to require money market funds to file electronically with the Commission quarterly reports regarding their portfolio holdings.² Comments are due on both proposals by September 27, 1995. The Institute intends to schedule a meeting shortly to discuss these proposals. Copies of the Commission's releases, the significant aspects of which are summarized below, are attached. Simplified Money Market Fund Prospectuses

The Commission has proposed amendments to the prospectus disclosure requirements of Form N-1A to permit and encourage money market funds "to provide shorter prospectuses that are more relevant to the needs of typical money fund investors." Of greatest significance, the proposed changes would replace the financial highlights table with a bar graph showing a fund's total returns for each of the last ten years and permit funds to describe themselves in their prospectuses with general statements about their investment objectives and portfolio composition, rather than including a detailed description of the fund's investment policies and portfolio securities. The narrative disclosure that would be removed from fund prospectuses would be relocated to the Statement of Additional Information. Quarterly Reporting By Money Market Funds Proposed Rule 30b3-1 would require a money market fund to report quarterly, through the EDGAR system, for each portfolio security: (i) the name of the security and its issuer and any guarantor of the security; (ii) the security's credit quality; (iii) whether it is illiquid; (iv) its value; (v) the percentage of the portfolio represented by the security and the percentage of the portfolio invested in securities issued by the issuer; (vi) its maturity date; and, in the case of an adjustable rate instrument, (vii) the formula used for adjusting its interest rate. In addition, a fund would be required to report its yield, average weighted maturity, total assets, percentage of net assets invested in illiquid securities, certain transactions between the fund and affiliated persons, and any difference between the stabilized share price of the fund and the per share asset value of the fund based on the market value of its portfolio as

of the end of the period. This proposal is intended to enhance the Commission's ability to monitor money market fund compliance with the federal securities laws, target its limited on-site examination resources and respond in the event of a significant market event affecting money market funds and their shareholders. The information in the reports would be made available to individuals and the financial press. Amy B.R. Lancellotta Associate Counsel Attachments

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