

MEMO# 4760

May 5, 1993

INSTITUTE SUBMITS PROPOSED REVISION TO MONEY MARKET CONDITIONAL EXEMPTION

May 5, 1993 TO: SEC RULES COMMITTEE NO. 44-93 STATE LIAISON COMMITTEE NO. 23-93
RE: INSTITUTE SUBMITS PROPOSED REVISION TO MONEY MARKET CONDITIONAL
EXEMPTION _____

The Institute recently submitted a comment letter to the Texas State Securities Board on a proposed amendment to 123.3 of the Texas Administrative Code, the conditional exemption for money market funds. As you may recall, the proposed amendment would allow a money market fund with an asset-based sales charge of 0.25% or less to qualify for the conditional exemption. In addition, however, the proposed amendment adds several new portfolio requirements which are inconsistent with the requirements of Rule 2a-7 and the limitations on investing in other investment companies under the Investment Company Act. (See Memorandum to SEC Rules Committee No. 29-93 and State Liaison Committee No. 17-93, dated April 1, 1993.) The Texas State Securities Board held a meeting on April 16th to consider the proposed amendment to 123.3. At this meeting, the Institute reiterated its concerns with respect to the proposed amendment. The Institute also recommended that the proposed amendment be revised to incorporate the "holding out" language in Rule 2a-7 and that a specific exclusion for certain two-tier funds (e.g., "hub and spoke funds," "master/feeder funds," "core/feeder funds") be included in the Texas provision. In addition, the Institute recommended modification of the prohibition on charging management or advisory fees by the fund's manager or investment adviser if an investment is made in another money market fund. Based upon the comments received, the staff of the State Securities Board recommended that no action be taken at this time pending further discussions with the Institute. Attached is a copy of the Institute's letter detailing the foregoing recommendations. Patricia Louie Associate Counsel Attachment