

**MEMO# 2681**

April 9, 1991

# **SEC PROPOSAL TO EXCLUDE TAX-EXEMPT MONEY MARKET FUNDS FROM BOARD OF DIRECTORS RATIFICATION REQUIREMENT**

April 9, 1991 TO: SEC RULES MEMBERS NO. 24-91 MONEY MARKET MEMBERS - ONE PER COMPLEX NO. 8-91 MONEY MARKET FUNDS AD HOC COMMITTEE NO. 10-91 RE: SEC PROPOSAL TO EXCLUDE TAX-EXEMPT MONEY MARKET FUNDS FROM BOARD OF DIRECTORS RATIFICATION REQUIREMENT \_\_\_\_\_ The SEC today issued the attached release proposing to amend Rule 2a-7 of the Investment Company Act to exclude tax- exempt money market funds from the recently adopted requirement that the board of directors of a fund approve or ratify the acquisition of any security that is unrated, or is rated by only one rating agency. This requirement was adopted on February 13, 1991 and would become effective on June 1, 1991. In the attached release, the SEC requests comment on the extent to which tax-exempt funds hold unrated securities and whether it would be a significant burden on tax-exempt funds if the ratification requirement were limited to unrated securities. (See pp. 4-5) The release also describes the information that the board of directors of taxable funds should consider when approving or ratifying the purchase of an unrated or single-rated security. (See pp. 5-6) The comment period for this proposal expires on May 9, 1991. Please provide me with any comments you may have on the proposal by April 26, 1991. Amy B.R. Lancellotta Assistant General Counsel Attachment