

MEMO# 8026

July 3, 1996

POSSIBLE TECHNICAL AMENDMENTS TO RULE 2A-7

1 See Memorandum to Money Market Funds Ad Hoc Committee No. 4-96 and Money Market Members - One Per Complex No. 1-96, dated March 25, 1996. July 3, 1996 TO: MONEY MARKET FUNDS AD HOC COMMITTEE No. 8-96 MONEY MARKET MEMBERS - ONE PER COMPLEX No. 4-96 RE: POSSIBLE TECHNICAL AMENDMENTS TO RULE 2a-7

We have been advised that the SECs Division of Investment Management intends to recommend that the Commission propose technical amendments to Rule 2a-7 under the Investment Company Act, to clarify some of the changes made by the amendments to the rule adopted in March¹ (which are scheduled to become effective on October 3) and to address concerns that have arisen since they were adopted. It is our understanding that the amendments would address, among other things, the treatment of "guarantees" and "guarantors" for purposes of the diversification and quality requirements, the certification requirement for refunded securities, the definition of "collateralized fully" and the new diversification requirements for asset-backed securities. The SEC staff anticipates that these amendments will be published for public comment shortly. It is likely, however, that they would not be adopted until early fall. Given that the March amendments are scheduled to become effective on October 3 and that the technical amendments may require further changes to funds compliance systems, the staff intends to recommend that the Commission extend the October 3 effective date. Accordingly, consideration should be given to delaying the implementation of any changes to your current systems or seeking board approval of revised procedures under the rule until the technical amendments are adopted. Amy B.R. Lancellotta Associate Counsel