

MEMO# 7667

February 27, 1996

INSTITUTE LETTER ON PROPOSED REVISIONS TO PSA MASTER REPURCHASE AGREEMENT

February 27, 1996 TO: MONEY MARKET FUNDS AD HOC COMMITTEE No. 2-96 SEC RULES COMMITTEE No. 15-96 RE: INSTITUTE LETTER ON PROPOSED REVISIONS TO PSA MASTER REPURCHASE AGREEMENT

_____ The Public Securities Association ("PSA") has proposed revisions to its Master Repurchase Agreement (the "Agreement") to reflect significant legal developments and changes in the marketplace since the Agreement was last amended in 1987. The Institute submitted the attached letter on the proposed revised Agreement. A copy of the draft revised Agreement is also attached. The Institutes letter recommends that an annex be added to the Agreement with terms and conditions appropriate for use in repos involving investment companies. A draft of such an annex is included in the letter. The provisions in the proposed investment company annex are intended generally to address the minimum regulatory requirements that investment companies must satisfy when engaging in repo agreements. Thus, investment companies frequently may wish to add additional provisions to the annex tailored to their own needs and circumstances. By way of example, footnote 4 of the letter notes that many fund complexes have obtained exemptive relief to enter into repo transactions through pooled accounts. In those instances, supplemental provisions may be appropriate in addressing, among other things, the margin maintenance provisions of paragraph 4 of the revised Agreement. We are interested in members views on whether the Institute should develop a standardized provision dealing with repos involving funds joint trading accounts for supplemental submission to the PSA and, if so, what the provision should include. The letter also suggests several changes to the Agreement that would apply to repos involving all parties, not just investment companies. In an effort to keep the letter brief and focused primarily on the proposed investment company annex, the Institute only commented on those provisions in the Agreement that raised issues of significant concern. Accordingly, the letter does not comment on many of the other provisions in the Agreement, including the proposed schedule and annexes thereto. If you have comments on the Agreement that were not included in the Institutes letter that you would like us to consider raising with the PSA, please provide them to me by March 16, 1996. My direct number is 202/326-5824. Amy B.R. Lancellotta Associate Counsel Attachments

should not be considered a substitute for, legal advice.