

**MEMO# 4929**

June 28, 1993

## **EXTENSION OF APPLICATION OF STAFF'S POSITION ON CAPPED FLOATERS**

June 28, 1993 TO: MONEY MARKET FUNDS AD HOC COMMITTEE NO. 6-93 SEC RULES MEMBERS NO. 54-93 RE: EXTENSION OF APPLICATION OF STAFF'S POSITION ON CAPPED FLOATERS \_\_\_\_\_ As we previously informed you, the Division of Investment Management recently issued a letter reiterating the staff's position on the ability of money market funds to acquire capped floating and variable rate securities under Rule 2a-7 of the Investment Company Act of 1940. (See Memorandum to Money Market Funds Ad Hoc Committee No. 5-93 and SEC Rules Members No. 52-93, dated June 17, 1993.) In that letter, the staff stated that funds must measure the maturity of certain capped instruments with a final remaining maturity of 397 days or less by reference to their final maturity rather than their interest rate readjustment date. The staff has learned that many funds were not aware of this interpretation and had been measuring the maturity of short-term capped instruments by reference to the interest rate readjustment date. The staff is concerned that requiring those funds to change the method of measuring the maturity may have an immediate substantial impact on the weighted average maturities of those funds. Therefore, the staff has issued a letter extending the application of its interpretation regarding the maturity of short-term capped instruments until September 1, 1993. Thus, the letter states that, "Until that time, funds may determine the maturity of short-term capped floaters by reference to their interest rate readjustment date." A copy of the staff's letter is attached. Amy B.R. Lancellotta Associate Counsel  
Attachment