MEMO# 2927

July 12, 1991

INSTITUTE REQUEST FOR INTERPRETIVE GUIDANCE ON ITEMS IN FORMS N-1A AND N-SAR RELATING TO MONEY MARKET FUNDS

July 12, 1991 TO: MONEY MARKET FUNDS AD HOC COMMITTEE NO. 18-91 RE: INSTITUTE REQUEST FOR INTERPRETIVE GUIDANCE ON ITEMS IN FORMS N-1A AND N-SAR RELATING TO MONEY MARKET FUNDS ____ The Institute requested interpretive guidance from the staff of the Division of Investment Management to clarify that funds that hold themselves out as "money market" funds in accordance with paragraph (b) of Rule 2a-7 of the Investment Company Act are excluded from the requirement to provide a portfolio turnover rate pursuant to Item 3 of Form N-1A and Item 71 of Form N-SAR. The instructions to those items state that securities "whose maturity or expiration date at the time of acquisition were one year or less" should be deleted from the numerator and denominator when calculating portfolio turnover rate. When the amendment to Rule 2a-7 generally extending the maximum remaining maturity of any portfolio instrument purchased by a money market fund from one year to thirteen months was adopted, the SEC inadvertently failed to make a conforming change to the instructions for calculating portfolio turnover rate in Forms N- 1A and N-SAR. Accordingly, the Institute requested interpretive guidance to clarify that money market funds are excluded from the requirement to calculate and furnish a portfolio turnover rate. In addition, the Institute requested clarification that the definition of "money market fund" included in Instruction G of Form N-SAR be defined in accordance with paragraph (b) of Rule 2a-7, which requires, among other things, investment companies that hold themselves out as "money market" funds to meet the portfolio maturity requirements under the rule. Instruction G was not amended to reflect the recent change to the maturity requirements under Rule 2a-7. The term "money market fund" is currently defined in Instruction G as any open-end investment company "that maintains a stable price per share and that invests at least 80% of its net assets in securities maturing in 12 months or less." A copy of the Institute's letter is attached. We will keep you informed of developments. Amy B.R. Lancellotta Assistant General Counsel Attachment