

**MEMO# 7813**

April 26, 1996

## **OHIO PROPOSES AMENDMENTS TO RULE RELATING TO LIQUIDITY TREATMENT OF COMMERCIAL PAPER**

1 See Memorandum to SEC Rules Committee No. 5-96, State Securities Members No. 4-96, and Unit Investment Trusts Members No. 2-96 (January 19, 1996). April 26, 1996 TO: SEC RULES COMMITTEE No. 28-96 STATE LIAISON COMMITTEE No. 10-96 UNIT INVESTMENT TRUST COMMITTEE No. 14-96 RE: OHIO PROPOSES AMENDMENTS TO RULE RELATING TO LIQUIDITY TREATMENT OF COMMERCIAL PAPER

As we previously informed you, in January of this year, the Ohio Division of Securities (the "Division") enacted amendments to Rule 1301:6-3-09(12) relating to the liquidity treatment of commercial paper.<sup>1</sup> As adopted, the amendments provide in relevant part that commercial paper that is rated in one of the two highest categories by an NRSRO would be considered liquid if the funds board of directors determines "that the commercial paper is of equivalent quality and is liquid." There was no indication in the rule as to what the phrase "of equivalent quality" referred, nor was the Division able to provide guidance as to its meaning. As a result of concerns raised by the Institute and others with the meaning of this provision, the Division has proposed that this portion of the rule be deleted in its entirety. In addition, the Division has proposed to amend the rule to provide that commercial paper may be considered liquid if it is rated by at least one -- rather than the currently required two -- NRSRO provided the funds board of directors or trustees have determined the paper to be liquid. The rule, however, still would not permit unrated commercial paper to be considered liquid under any circumstances. A copy of the Divisions proposal is attached. Comments are due on the proposal no later than Friday, May 31 1996. Comments should be submitted to Commissioner Mark Holderman, Ohio Division of Securities, 77 South High Street, 22nd Floor, Columbus, Ohio 43266-0548, with a copy to William Leber, Counsel to the Commissioner, at the same address. Tamara K. Cain Assistant Counsel Attachment

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