

accordance with 5 U.S.C. 603 regarding the proposed amendments. The Analysis notes that the proposed amendments are intended to simplify money fund prospectus disclosure. Pertinent information contained in the preceding section of this release ("Cost/Benefit of Proposal") is also reflected in the Analysis. A copy of the Initial Regulatory Flexibility Analysis may be obtained by contacting Martha H. Platt, Mail Stop 10-6, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Text of Proposed Rule and Form Amendments

List of Subjects in 17 CFR Parts 230, 239, and 274

Investment companies, Reporting and recordkeeping requirements, Securities.

For the reasons set out in the preamble, the Commission is proposing to amend Chapter II, Title 17 of the Code of Federal Regulations as follows:

PART 230—GENERAL RULES AND REGULATIONS, SECURITIES ACT OF 1933

1. The authority citation for Part 230 continues to read in part as follows:

Authority: 15 U.S.C. 77b, 77f, 77g, 77h, 77j, 77s, 77sss, 78c, 78l, 78m, 78n, 78o, 78w, 79l(d), 79t, 80a-8, 80a-29, 80a-30, and 80a-37, unless otherwise noted.

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2. Section 230.482 is amended by removing the word "or" at the end of paragraph (d)(1); removing the period and adding "; or" at the end of paragraph (d)(2); and adding paragraph (d)(3) to read as follows:

§ 230.482 Advertising by an investment company as satisfying requirements of section 10.

* * * * *

(d) * * *

(3) In the case of a money market fund holding itself out as distributing income exempt from regular federal income tax, in addition to the quotation of yields described in paragraphs (d)(1) and (d)(2) of this section:

(i) A quotation of current yield described in paragraph (d)(1) of this section and a corresponding quotation of tax equivalent yield based on the method of computation prescribed in Form N-1A, relating to the same base period and of equal prominence; or

(ii) A quotation of current yield and effective yield and corresponding quotations of tax equivalent current yield and tax equivalent effective yield based on methods of computation prescribed in Form N-1A, relating to the

same base period and of equal prominence.

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PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933

3. The authority citation for Part 239 continues to read, in part, as follows:

Authority: 15 U.S.C. 77f, 77g, 77h, 77j, 77s, 77sss, 78c, 78l, 78m, 78n, 78o(d), 78w(a), 78l(d), 79e, 79f, 79g, 79j, 79l, 79m, 79n, 79q, 79t, 80a-8, 80a-29, 80a-30 and 80a-37, unless otherwise noted.

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PART 274—FORMS PRESCRIBED UNDER THE INVESTMENT COMPANY ACT OF 1940

4. The authority citation for Part 274 continues to read as follows:

Authority: 15 U.S.C. 77f, 77g, 77h, 77j, 77s, 78c(b), 78l, 78m, 78n, 78o(d), 80a-8, 80a-24, and 80a-29, unless otherwise noted.

Note: Form N-2 does not and the amendments will not appear in the Code of Federal Regulations.

5. Form N-2 (referenced in §§ 239.14 and 274.11a-1) is amended by removing "and" at the end of paragraph (b), removing the period at the end of paragraph (c), adding "; and" at the end of paragraph (c), and adding instruction 13.d. to Item 4.1, to read as follows:

Form N-2

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Item 4. Financial Highlights

1. General * * *

Instructions

General Instructions

* * * * *

Total Investment Return

13. * * *

d. for a period of less than a full fiscal year, state the total investment return for the period and disclose in a note to the table that the figure is not annualized.

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Note: Form N-1A does not and the amendments will not appear in the Code of Federal Regulations.

6. General Instruction A of Form N-1A (referenced in §§ 239.15A and 274.11A) is amended by adding a second paragraph (unnumbered) to read as follows:

Form N-1A

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General Instructions

A. Rule as to Use of Form N-1A

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Several Items of Form N-1A contain specific provisions or instructions for money market fund Registrants. See General Instruction E and Items 1, 3, 4, 7, and 8 of Part A, Items 13, 22 and 23 of Part B, and Item 32 of Part C. In addition, money market fund registrants need not respond to Items 5(c) and 5A.

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7. General Instruction E of Form N-1A (referenced in §§ 239.15A and 274.11A) is amended by removing the second sentence of the second paragraph (unnumbered) and adding two sentences to the end of that paragraph, to read as follows:

Form N-1A

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General Instructions

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E. Incorporation by Reference

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* * * In general, a Registrant may incorporate by reference, in answer to any item in a registration statement filed on Form N-1A not required to be included in a prospectus, any information contained elsewhere in the registration statement or any information contained in other statements, applications or reports filed with the Commission, except that a money market fund Registrant's response to Item 3(d) may be incorporated into the prospectus by reference from the Statement. A money market fund Registrant that elects to incorporate its response to Item 3(d) from the Statement of Additional Information is not required as a result of that incorporation to physically deliver the Statement with the prospectus if the Statement is available as described in the first paragraph of this instruction.

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8. Item 1, Part A of Form N-1A (referenced in §§ 239.15A and 274.11A) is amended by adding an instruction immediately following paragraph (a)(iii), to read as follows:

Form N-1A

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Part A

Information Required in a Prospectus

Item 1. Cover Page

(a) * * *

(iii) * * *

Instruction

A money market fund Registrant incorporating by reference from the Statement of Additional Information only its response to Item 3(d) must