

other assets for which there is no established market, there may be a question concerning the ability of the account to make payment within seven days of the date its shares are tendered for redemption. The usual limit on aggregate holdings of illiquid assets by separate accounts is 15 percent of net assets. A money market account is limited to investing less than ten percent of its assets in illiquid securities.<sup>5</sup> An illiquid asset is any asset which may not be sold or disposed of in the ordinary course of business within seven days at approximately the value at which the mutual fund has valued the instrument.<sup>6</sup>

\* \* \* \* \*

43. Guide 5 to Form N-3 is amended by adding a footnote at the end of the first sentence to read as follows:

#### Guide 5. Portfolio Turnover

\* \* \* \* \*

<sup>7</sup> Money market accounts are not required to discuss the effects of portfolio turnover in their prospectuses.

44. Guide 8 to Form N-3 is amended by adding a sentence in the second paragraph (unnumbered) following "and standby commitment agreements.\*", to read as follows, and renumbering sequentially all subsequent footnotes in the guides to Form N-3:

#### Guide 8. Senior Securities, Reverse Repurchase Agreements, and Standby Commitment Agreements

\* \* \* \* \*

\* \* \* Money market accounts should discuss their use of these trading practices in the Statement of Additional Information in response to Item 19 (see Instruction 1 to Item 5(c)(ii) and Instruction 3 to Item 19(b)). \* \* \*

45. Guide 21 to Form N-3 is amended to read as follows:

#### Guide 21. Government Securities

If the registrant is investing in United States Government securities, the prospectus should explain when and to what extent the registrant intends to do so.

If a registrant other than a money market account is investing significantly in United States Government securities on a routine basis, the prospectus should include the following information: (1) The types of Government securities in which the separate account will invest; (2) examples of Government agencies and

instrumentalities in whose securities the separate account will invest; and (3) whether the securities of such agency or instrumentality are (a) supported by the full faith and credit of the United States, (b) supported by the ability to borrow from the Treasury, (c) supported only by the credit of the agency or instrumentality, or (d) supported by the United States in some other way. If the registrant is a money market account, the disclosure described in (1) through (3) above should be placed in the Statement of Additional Information.

If the registrant is a money market account holding itself out as investing in United States Government securities, and the registrant does not invest all of its assets in securities backed by the full faith and credit of the United States Government, the account should not suggest in its prospectus or in its sales material that there is no credit risk associated with the account's investments.

46. Guide 27 to Form N-3 is amended by removing the phrase in the first sentence of the tenth paragraph (unnumbered): "with portfolio securities that mature in one year or less".

\* \* \* \* \*

Dated: July 19, 1995.

By the Commission.

Margaret H. McFarland,

Deputy Secretary.

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#### 17 CFR Parts 232, 240, 249 and 270

[Release Nos. 34-35991; IC-21217; S7-22-95]

RIN 3235-AG56

#### Money Market Fund Quarterly Reporting

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Proposed rule and rule amendment.

**SUMMARY:** The Commission is proposing a new rule under the Investment Company Act of 1940 that would require money market funds to file quarterly reports with the Commission identifying, describing, and providing valuation information for each security in their portfolios. The reports would be filed electronically through the Commission's EDGAR system. This information would enhance the Commission's ability to monitor money market fund compliance with the federal securities laws, particularly rule 2a-7 under the 1940 Act, the rule that

permits money market funds to use special share pricing and portfolio valuation methods.

**DATES:** Comments on the proposed rule and rule and form amendments must be received on or before September 27, 1995.

**ADDRESSES:** Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. All comment letters should refer to File No. S7-22-95. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549.

#### FOR FURTHER INFORMATION CONTACT:

Martha H. Platt, Senior Attorney, (202) 942-0725, or Joseph E. Price, Deputy Office Chief, (202) 942-0721, Office of Disclosure and Investment Adviser Regulation, Division of Investment Management, 450 Fifth Street, N.W., Washington, D.C. 20549.

**SUPPLEMENTARY INFORMATION:** The Commission is proposing for comment:

(1) Rule 30b3-1 under the Investment Company Act of 1940 [15 U.S.C. 80a-1 *et seq.*] ("1940 Act") that would require money market funds to file with the Commission quarterly reports regarding their portfolio holdings; and

(2) Technical amendments to Regulation S-T [17 CFR 232.301], the Commission's general rules for electronic filings, and rule 12b-25 [17 CFR 240.12b-25] and Form 12b-25 [17 CFR 249.322] under the Securities Exchange Act of 1934 [15 U.S.C. 78a *et seq.*], to accommodate notification of late filings of the quarterly reports.

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#### Executive Summary

The Commission is proposing a new rule under the 1940 Act that would require money market funds ("money funds") to file with the Commission quarterly reports regarding their portfolio holdings (the "Money Market Fund Portfolio Schedule" or "Schedule"). The Schedule would be

<sup>5</sup> See Investment Company Act Rel. No. 13380 (July 11, 1983), 48 FR 32555 (July 18, 1983). See also Investment Company Institute (pub. avail. Dec. 9, 1992).

<sup>6</sup> See Investment Company Act Release No. 14983 (Mar. 12, 1986) [51 FR 9773 (Mar. 20, 1986)].