

## SEC Adopts Interim Final Temporary Money Market Funds Reporting Requirement

September 23, 2009

On Friday, September 18, the Securities and Exchange Commission (SEC) adopted interim final temporary rule 30b1-6T under the Investment Company Act of 1940 (the Rule) requiring any money market fund with a market-based net asset value (NAV) per share below \$0.9975 to report certain portfolio holdings and valuation information on a weekly basis. The Rule was adopted concurrent with the expiration of the U.S. Treasury Temporary Guarantee Program for Money Market Funds (the Guarantee Program), which had required money market funds participating in the Guarantee Program to provide substantially similar reporting to the SEC.

### Background

As part of the Guarantee Program, participating money market funds whose market-to-market NAV fell below \$0.9975 per share were required to report weekly portfolio information to the Treasury Department and the SEC. The Rule is intended to bridge the gap in reportable information between the portfolio holdings and valuation information that was provided in connection with a fund's participation in the Guarantee Program and the information that would be required to be reported if the SEC's proposed new rules to reform the regulation of money market funds<sup>1</sup> are adopted. The Rule became effective upon adoption and is scheduled to remain in effect through September 17, 2010, at which time it will be extended, modified, or replaced in connection with the adoption of broader amendments to Rule 2a-7.

### Requirements of the Rule

The Rule requires that money market funds whose market-based NAV falls below \$0.9975 must begin reporting to the SEC within a single business day. Once a reporting obligation is triggered, money market funds must report the information set forth below to the SEC as of the last business day of each week no later than the second business day of the following week. The required information is substantially similar to that required of certain funds participating in the Guarantee Program.

#### Fund-Specific Information

- The name of the money market fund
- The fund's SEC file number
- The NAV per share used to effect shareholder transactions
- The most recent market-based NAV (including the value of any capital support agreement)
- The most recent market-based NAV (excluding the value of any capital support agreement)

#### Security-Specific Information

- The name of each security held by the fund
- The CUSIP number of each security held (if any)
- The principal amount of each security
- The maturity date of each security
- The final maturity date (if different from the maturity date as determined under rule 2a-7) of each security

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1. Money Market Fund Reform, Investment Company Act Release No. 28807 (June 30, 2009).

- The date as of which the most recent market-based NAV was calculated
- The fund's total assets
- The fund's total net assets
- The fund's number of shares outstanding
- Categorization of each security's status, e.g., First Tier, Second Tier, no longer an Eligible Security
- The most recent market-based price of each security (including the value of any capital support agreement) or appropriate substitute price<sup>2</sup>
- The most recent market-based price of each security (excluding the value of capital support agreement) or appropriate substitute price<sup>3</sup>
- The amortized cost value of each security
- With respect to a tax-exempt security, whether the security has a demand feature

The Rule release does not specifically address whether a money market fund that is relying on a capital support agreement to maintain its NAV at \$0.9975 or higher is subject to the weekly reporting obligation. Given that the SEC intends for the Rule to be an extension of the reporting requirements under the Guarantee Program, the Investment Company Institute's Technical Questions and Answers from its webinar on the Guarantee Program may provide some guidance, and indicates that a fund's market-based NAV should include any capital support agreements it has in place.<sup>4</sup>

The fund's weekly reporting obligation will continue until such time as the fund's market-based NAV reaches \$0.9975 or greater at the end of a week. The information submitted to the SEC pursuant to the Rule will be kept nonpublic to the extent permitted by law.

Interestingly, the SEC estimates that, based on its experience with the Guarantee Program, at any given time approximately 10 money market funds will be subject to the Rule. The SEC has requested comments on the Rule, including whether to make the Rule permanent. Any such comments should be submitted prior to October 26, 2009.

Morgan Lewis will continue to monitor money market reform developments and will provide updates as new information becomes available.

If you have any questions about the Rule or related issues, please contact any of the following Morgan Lewis attorneys:

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2. If a substitute price is provided, the portfolio schedule must describe with reasonable specificity the appropriate substitute.  
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4. Investment Company Institute, *Technical Questions and Answers from ICI's Webinar on the Department of the Treasury's Temporary Guarantee Program for Money Market Funds* (Updated November 6, 2008), at [http://www.ici.org/files/08\\_webinar\\_guarantee\\_qa](http://www.ici.org/files/08_webinar_guarantee_qa).

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