

March 19, 2020

Ms. Dalia Blass
Director – Division of Investment Management
Ms. Sarah ten Siethoff
Associate Director – Division of Investment Management
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Request for No-Action Relief for Affiliated Purchases under Rule 17a-9

Dear Ms. Blass and Ms. ten Siethoff:

The Investment Company Institute¹ seeks assurances from the staff of the Division of Investment Management (the “Staff”) that it will not recommend enforcement action to the Securities and Exchange Commission against any registered open-end investment company that is regulated as a money market fund under Rule 2a-7 (each, a “Fund”), or any affiliated person of the Fund (or any affiliated person of such person) who is subject to Section 23A and B of the Federal Reserve Act (“FRA”), (each, a “Purchaser”), under Section 17(a) of the Investment Company Act of 1940 (the “Act”) or Rule 17a-9 thereunder, if a Purchaser purchases securities from a Fund, under the circumstances and subject to the conditions described below (the “Affiliated Purchases”). We are requesting this relief because of the significant securities market disruptions caused by outbreaks of the coronavirus disease (COVID-19), which was declared a national emergency by the U.S. Government.

Background

Rule 17a-9 under the Act provides an exemption from the prohibitions under Section 17(a) to permit affiliated persons of a money market fund (or affiliated persons of such persons) to purchase distressed and non-distressed securities from the fund. Among other conditions, Rule 17a-9 requires that any purchase be paid in cash and at a price that “is equal to the greater of the amortized cost of the security or its market price (in each case, including accrued interest).”² In addition, Rule 17a-

¹ The Investment Company Institute (“ICI”) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (“ETFs”), closed-end funds, and unit investment trusts in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI’s members manage total assets of US\$25.2 trillion in the United States, serving more than 100 million US shareholders, and US\$7.7 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in London, Hong Kong, and Washington, DC.

² See Rule 17a-9(a)(1) and (2).

9(b)(2) allows a Fund to claw back certain amounts from a Purchaser in certain circumstances. In 2010, Rule 17a-9 was amended “to enable advisers to address acute credit or liquidity problems in a money market fund portfolio by purchasing securities from the fund that would be difficult or impossible to sell on the open market at or near their amortized cost.”³

We understand that, because of the COVID-19 outbreak, there is a short-term dislocation in the market for money market securities. We further understand that affiliated persons (or affiliated persons of such persons) of Funds, which affiliated persons are subject to Section 23A and 23B of the FRA, may wish to purchase securities from the Funds to enhance the Funds’ liquidity or stability, but are unable to do so in reliance on Rule 17a-9 because of conflicting regulations to which they are subject (*e.g.*, Sections 23A and 23B of the FRA and Regulation W).

Conditions

The ICI believes that the relief outlined herein is necessary to enhance the liquidity and stability of money market funds during the ongoing and significant securities market disruptions related to the COVID-19 outbreak. Any Affiliated Purchases would be subject to the conditions below. We believe that these conditions maintain the policy objectives of Rule 17a-9 and are in the best interests of Fund shareholders and otherwise appropriate under the circumstances.

1. The purchase price of the purchased security would be its fair market value as determined by a reliable third-party pricing service (the “Purchase Price”).
2. The Affiliated Purchases satisfy the conditions of Rule 17a-9 under the Act except to the extent that the terms of such Affiliated Purchases would otherwise conflict with (i) applicable banking regulations or (ii) the exemption issued by the Board of Governors of the Federal Reserve System on March 17, 2020, defining “covered transaction” for purposes of Section 23A of the FRA to not include the purchase of assets from an affiliated money market mutual fund.
3. The Fund timely files Form N-CR reporting such transaction under Part C of such Form, and reports in Part H of such Form that the purchase was conducted in reliance on this letter.
4. The relief set forth herein shall be in effect on a temporary basis in response to the national emergency concerning the COVID-19 outbreak, which was proclaimed by the President of the United States on March 13, 2020, and will cease to be in effect upon notice from the Staff.

* * *

³ See Money Market Fund Reform, Investment Company Act Release No. 29132 (Feb. 23, 2010), at p. 96.

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The ICI appreciates the Staff's consideration of our request for relief. If you have any questions, please contact the undersigned at (202) 326-5813, Jane Heinrichs, Associate General Counsel, at (202) 371-5410, or Brenden P. Carroll of Dechert LLP at (202) 261-3458.

Sincerely,

/s/ Susan M. Olson

Susan M. Olson
General Counsel