



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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SEC EXPRESSES VIEWS ON THE EFFECT OF CREDIT CONTROLS ON INVESTMENT COMPANIES

The Commission today announced guidelines for investment companies in the wake of credit control regulations adopted by the Board of Governors of the Federal Reserve System.

These views pertain to certain disclosure and regulatory requirements under the federal securities laws and should be considered by registered investment companies in complying with the Board's regulations.

Pursuant to the Credit Control Act of 1969 as implemented by Executive Order 12201 of the President of the United States, the Board of Governors of the Federal Reserve System has adopted regulations requiring certain registered investment companies, including "money market" funds and short term unit investment trusts, to maintain special non-interest bearing deposits with Federal Reserve Banks.

In essence, these deposits will amount to 15 percent of such companies assets in excess of those companies' assets as of the close of business today.

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The most significant potential effect of the special deposit requirement will be a negative impact on the yields of some money market funds. If an existing money market fund should have substantial sales subject to the reserve requirement, a diminution of yield will result. However, the Commission has no reason to doubt the continuing soundness of money market funds.

The Commission's guidelines are intended to alert registered investment companies subject to the credit control regulations and their directors and investment advisers to certain disclosure and regulatory responsibilities under the securities laws which arise from the operation of the credit control regulations. These responsibilities will require a review of the impact of credit controls on the operations of these companies and could necessitate a review of: (1) investment policies; (2) arrangements and policies to generate the funds required to make the special deposits; (3) policies respecting new sales of shares by such companies; (4) policies and procedures respecting the pricing of shares; and (5) investment advisory fee schedules. Companies will generally be required to disclose the effect of credit controls on their operations and any changes in their operations which may be made as a result of such controls. FOR FURTHER INFORMATION CONTACT: Chiles T.A. Larson, Deputy Director, OPA, (home) 683-1772 or (office) 272-2650 or Kenneth S. Gerstein, IM, (home) 578-4357 or (office) 272-3023.