

110TH CONGRESS
1ST SESSION

H. R. 1171

To direct the Securities and Exchange Commission to revise rules to provide for the comparable treatment and expanded use of qualified money market funds for broker-dealer financing.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2007

Mr. MEEKS of New York (for himself and Mr. TIBERI) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To direct the Securities and Exchange Commission to revise rules to provide for the comparable treatment and expanded use of qualified money market funds for broker-dealer financing.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Money Market Fund
5 Parity Act of 2007”.

1 **SEC. 2. MODERNIZATION OF S.E.C. BROKER-DEALER FI-**
2 **NANCING RULES.**

3 (a) **RULE REVISION REQUIRED.**—Not later than 90
4 days after the date of enactment of this Act, the Securities
5 and Exchange Commission, pursuant to its authority
6 under section 15(c) of the Securities Exchange Act of
7 1934 (15 U.S.C. 78o(c)(3)), shall revise Rules 15c3–1,
8 15c3–3, and 15c2–4 (17 C.F.R. 240.15c3–1, 240.15c3–
9 3, 240.15c2–4) to provide for the comparable treatment
10 of securities issued by qualified money market funds with
11 the treatment of other low-risk securities and deposits
12 under such rules, and the expanded use of securities
13 issued by qualified money market funds for financing by
14 brokers and dealers.

15 (b) **REQUIRED REVISIONS.**—In making the revisions
16 required by subsection (a), the Commission shall revise the
17 requirements—

18 (1) under Rule 15c3–1 relating to net capital,
19 by not requiring, in the computation of net capital
20 (or any other capital requirement based on value-at-
21 risk or similar financial models or systems) any de-
22 duction for assets of the broker or dealer invested in
23 redeemable securities issued by one or more qualified
24 money market funds;

25 (2) under Rule 15c3–3 relating to custody and
26 use of customers' securities—

(A) to permit a broker or dealer to use redeemable securities issued by one or more qualified money market funds as collateral in complying with any requirement regarding physical possession or control of fully-paid or excess margin securities borrowed from any person under terms no less favorable than the treatment afforded to any other collateral that the Commission permits under Rule 15c3-3(b)(3)(iii)(A) (17 C.F.R. 240.15c3-3(b)(3)(iii)(A)) or any successor rule, or by order; and

(B) to permit a broker or dealer to—

(i) deposit redeemable securities issued by one or more qualified money market funds in any required special reserve account under terms no less favorable than the treatment afforded to any other qualified security (as such term is defined in Rule 15c3-3(a)(6) (17 C.F.R. 240.15c3-3(a)(6)) or any successor rule) or by order; and

(ii) post as collateral or deposit in any required special reserve account redeemable securities issued by one or more quali-

1 fied money market funds by pledging such
2 securities through the facilities of a clear-
3 ing agency registered under section 17A(b)
4 of the Securities Exchange Act of 1934
5 (15 U.S.C. 78q-1(b)); and

6 (3) under Rule 15c2-4 in connection with the
7 underwritings to which Rule 15c2-4(b) applies—

8 (A) permit a broker or dealer that has ob-
9 tained funds through the underwriting or dis-
10 tribution of securities—

11 (i) to invest such obtained funds
12 pending the specified event or contingency
13 in redeemable securities issued by one or
14 more qualified money market funds and to
15 deposit such obtained funds or redeemable
16 securities in a separate bank account; and

17 (ii) to transmit such obtained funds to
18 a bank that has agreed to hold such ob-
19 tained funds in escrow; and

20 (B) permit the bank to which such ob-
21 tained funds are transmitted pursuant to sub-
22 paragraph (A)(ii) to invest such obtained funds
23 pending the specified event or contingency in
24 redeemable securities issued by one or more
25 qualified money market funds; and

1 (C) for the purposes of subparagraphs (A)
2 and (B), permit the broker, dealer, or bank to
3 invest, redeem, pledge, or receive the pledge of
4 such obtained funds or such redeemable securi-
5 ties through the facilities of a clearing agency
6 registered under section 17A(b) of the Securi-
7 ties Exchange Act of 1934 (15 U.S.C. 78q-
8 1(b)).

9 (c) DEFINITION OF QUALIFIED MONEY MARKET
10 FUND.—For purposes of the rule revisions required under
11 this Act, the term “qualified money market fund” shall
12 be defined by the Commission in such rule revisions, but
13 shall include any open-end management company reg-
14 istered under section 8 of the Investment Company Act
15 of 1940 (15 U.S.C. 80a–8)—

16 (1) which is generally known as a “money mar-
17 ket fund”;

18 (2) which has received the highest money mar-
19 ket fund rating from a nationally recognized statis-
20 tical rating organization;

21 (3) which has agreed to redeem fund shares in
22 cash, with payment being made no later than the
23 business day following a redemption request by a
24 shareholder (except in the event of an unscheduled
25 closing of Federal Reserve Banks or the unscheduled

1 closing of one or more national securities exchanges
2 registered under section 6 of this title (15 U.S.C.
3 78f); and

4 (4) which has adopted a policy to notify its
5 shareholders of—

6 (A) any change in its rating not later than
7 30 days after the effective date of such change;
8 and

9 (B) any change in its policy to redeem
10 fund shares in cash no later than the business
11 day following a redemption request by a share-
12 holder as required by paragraph (3), not less
13 than 60 days prior to such change taking effect
14 (except in the event of an unscheduled closing
15 of Federal Reserve Banks or the unscheduled
16 closing of one or more national securities ex-
17 changes registered under section 6 of this title
18 (15 U.S.C. 78f)).

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