

Mr. Robert M. Bishop  
Senior Vice President  
The New York Stock Exchange  
55 Water Street  
New York, New York 10004

Dear Mr. Bishop:

Recently it has come to the attention of the Division that a practice has developed where brokers and dealers with customers' permission are investing customers' free credit balances in so-called money market funds.

The shares in the funds are securities, which if carried by a broker or dealer for the amount of a customer, must be in the broker's or dealer's possession or control. See Rule 15c3-3 (b)(1) under the Securities Exchange Act. Since generally no certificates is issued by the money market fund, the broker or dealer could not have possession of the security. The fund or its agent carries the security in an customer's security position may be noted on the books of control by the broker or dealer of the security.

Accordingly, the broker and dealers have applied for the designation of various money market investment funds as adequate control locations for the protection of customers pursuant to Rule 15c3-3(c)(7) (17 CFR 240.15c3-3). The Division has decided not to approve each application on a case by case basis. Instead, the Division will raise no question nor recommend any enforcement action where brokers and dealers treat money market funds as control locations for purposes of Rule 15c3-3 under the guidelines described herein.

First, the fund must be currently registered with the Commission pursuant to the Investment Company Act of 1940. Further, the brokers or dealers must carry such investments "long" in such customer's account. They must reflect separately for the securities of each fund all positions in their securities records or ledgers maintained pursuant to Rule 17a-3 under the Securities Exchange Act. In addition, the broker or dealers must not be aware of any substantial problems of an

operational nature which the fund may be experiencing and which may endanger the securities of the customer.

For the purposes of this letter, "money market" funds mean open-end investment companies which invest primarily in short-term debt instruments. Although the portfolio composition of "money market" funds may be variable both in terms of the types of securities purchased and their maturities, the portfolios of such funds typically will include U.S. government and government agency issues, certificates of deposit, banker's acceptances and commercial paper.

Therefore, if a broker or dealer complies with these guidelines in investing a customer's funds in money market funds and continues to carry the security for the account of the customer, the Division will recommend no action and raised no question to the Commission if no certificate is issued. A broker or dealer investing customer monies in funds not meeting the guidelines would have to seek relief under subparagraph (c)(7) of Rule 15c3-3.

A broker or dealer of course is not compelled to carry the security for a customer. The broker or dealer may if it chooses transmit the money of the customer to fund and have no further control over the security. In that case, no possession or control issue would arise under Rule 15c3-3.

Sincerely,

Nelson S. Kibler

Assistant Director