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with the MARAD regulations covering the commodity to which such data relate, notice and public procedure thereon are not required. Also, because this action relieves a restriction no delay in effective date is necessary.

§ 379.4(e) (1) (iii) of the Export Administration Regulations (15 CFR 379.4(e) (1) (iii) is revised to read as follows:

§ 379.4 — General license GDTR; technical data under restriction —

(e) Other gravity meters (gravimeters) — sensitized and Unexposed, having a resolving power (using a Test Object Contrast of 1.000:1) of 300-line pairs/mm or more (ECC No. 861(23); and

(ii) Technical data relating to the following materials and equipment:

(a) Other artificial graphite, and electrodes, electrical carbons, and other products made thereof, whether or not coated or composited with other materials to improve its performance at elevated temperatures or to reduce its permeability to gases, having an apparent relative density of 1.70 or greater when compared to water at 68 °F (19.5 °C), and with a particle size six or less of less than 0.001 inch (1 mil) (ECC Nos. 50(11), 66 (d), and 7289(4));

(b) Electric furnaces specially designed for the melting or processing of vapor deposited (pyrolitic) graphite or doped graphites whether as standing bodies, coatings, linings or substrates (ECC No. 7289(4));

(c) Other gravity meters (gravimeters) and parts and accessories, n.e.c. (ECC No. 8019(12));

(d) Other transmitters, superconductive, hyperconductive, and hypervelocity wind tunnels and devices, and parts and accessories, n.e.c. (ECC Nos. 71980(23), 7293(4); 8018(19), and 7397(19));

(e) Watercraft of 65 feet and over in overall length, designed to include motors or engines of 600 horsepower or over and greater than 45 displacement tons; *

(f) Aircraft, rotorcraft, and propeller driven, rotorcraft, and propeller driven, not stressed, clear, film, sheeting, or laminates ECC No. 581(111);

(g) Doppler sonar navigation systems (ECC No. 8019(22));

(h) Aerial camera film, sensitized and unexposed, as follows: (a) having spectral sensitivities at wavelengths greater than 0.600 Angstroms or at wavelengths less than 0.2000 Angstroms; or (b) having resolving powers (using a Test Object Contrast of 1.000:1) of 100 line pairs/mm or more or with a base thickness before coating of 0.004 inch or less (ECC Nos. 862(4) and 5(2a));

(i) Continuous tone aerial duplicating film, sensitized and unexposed, having resolving powers (using a Test Object Contrast of 1.000:1) of 300 line pairs/mm or more (ECC No. 95(5));

(j) Polarization and/or recording sensitivities (based on the reciprocal of the tunable exposure time in microsecond-seconds at an exposure time of 0.0001 second) of 125 or more and a resolving power (using a Test Object Contrast of 1.000:1) of 55 line pairs/mm and with a base thickness before coating of 0.004 inch or less capable of being processed in solutions with abilatories of 0.0016 inch or less at temperatures between 15 °C and 85 °F (ECC No. 862(5));

(k) Measuring steels containing all of the following: 12 percent or more nickel, 1 percent or more cobalt, and less than 0.5 percent carbon (ECC Nos. 67(3) and 67 (8));

(l) Transformation Induced Plasticity (TRIP) steels or penta-alloy austenitizing stainless steels of the following composition: 8 to 14 percent chromium, 0 to 10 percent nickel, 2 to 5 percent molybdenum, more than 5 percent cobalt, and less than 0.5 percent carbon (ECC Nos. 67(3) and 67 (8));

(m) Other high speed continuous writing, rotating drum cameras capable of recording at rates in excess of 2,000 frames per second, and parts and accessories, n.e.c. (ECC Nos. 88150(3)); and

(n) Other high speed, high speed motion picture cameras capable of recording at rates in excess of 2,000 frames per second and parts and accessories, n.e.c. (ECC Nos. 88150(3)); and

(o) Single crystal sapphire substrates (ECC No. 68 (3a));

RAFER H. MEYER, 
Director, Office of 
Export Administration.

Supplementary Information:

On April 28, 1975, there was published for public comment notice of a proposal by the Commission the proposal to take regarding the standardization of procedures utilized by registered investment companies for the valuation of short-term debt instruments in their portfolios (40 FR 18467). The proposed valuation position would have suggested that "marking-to-market" be used as most appropriate method for valuing any short-term debt securities held by registered investment companies and would have expressed the belief that it would be desirable for such companies to discontinue the "amortized cost" method of valuation.

Among the public comments received with respect to the proposed position on valuation, of short-term debt instruments were those suggesting that: (1) the benefits of "marking to market" valuation were small compared to the attendant costs of such valuation method; (2) many "money market" fund shareholders desire a valuation method that would adhere to a constant asset value; and (3) the Commission lacks the authority to preclude the use of amortized cost valuation. Other commentators suggested that only "money market" funds be required to "mark to market." Nevertheless, after consideration and analysis of the comments received with respect to the proposal, the Commission, for the reasons discussed below, has issued this interpretation setting forth its views as to the appropriateness of certain methods utilized by "money market" funds and certain other registered open-end management investment companies to determine the fair value of debt securities in their portfolios. The interpretation.


2Id. The release also indicated the Commission's tentative view that money market funds might be permitted to comply with the requirements by means of a quotation such as "yield to average life." In Investment Company Act Release No. 8918 (June 12, 1975) (40 FR 27429) notice was given of proposed guidelines with respect to standardizing money market fund quotestions. Such guidelines would have permitted the use of "yield to average life." The Commission is still considering these matters.

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Section 22(c) (15 U.S.C. 80a-22(c)) of the Act (15 U.S.C. 80a-1 et seq.), by reference to section 22(a) (15 U.S.C. 80a-2(a) (41)) of the Act, authorizes the Commission to adopt rules prescribing, inter alia, methods for computing the minimum purchase price and maximum redemption price for the common securities issued by a registered investment company:

Section 22(a) (41) (15 U.S.C. 80a-2(a) (41)) of the Act defines "value", as here relevant, to mean:

(3) With respect to securities for which market quotations are readily available, the market value of such securities, as determined by the board of directors of the registered investment company which issued such securities; and

Rule 2a-4 (17 CFR 270.2a-4) promulgated under the Act, in part, that the "current net asset value" of a redeemable security issued by a registered investment company issued in computing its price, for the purpose of distribution and redemption, means:

an amount which reflects calculations made substantially in accordance with the following, with estimates used where necessary or appropriate:

(1) Portfolio securities with respect to which market quotations are readily available shall be valued at current market value, and other securities shall be valued at amortized cost as determined in good faith by the board of directors.

Now that both the Commission and the money market fund industry have had the benefit of experience with the relatively new investment product, and to help insure that shares of such funds are sold and redeemed at prices reflecting the current market or fair value of such funds' portfolio securities, the Commission has concluded that it shall prospectively consider it inconsistent with the provisions of Rule 2a-4 for a money market fund to determine the fair value of debt securities which mature at a date more than 60 days subsequent to the valuation date on an amortized cost basis.

Although debt securities with remaining maturities in excess of 60 days should not be valued at amortized cost, the Commission will not object if the board of directors of a money market fund, in good faith, determines that the fair value of debt securities originally purchased with remaining maturities of 60 days or less shall be their amortized...
cost value, unless the particular circumstances dictate otherwise. Nor will the Commission, under similar circumstances, the fair value of debt securities originally purchased with maturities of in excess of 60 days, but which currently have maturities of 60 days or less, be determined by using amortized cost valuation for the 60 days prior to maturity, such amortization being based upon current market quotations or other readily available or, if such quotations are not readily available, in such a manner as to take into account any unrealized appreciation or depreciation due to changes in interest rates and other factors which would influence the current fair values of such securities. These methods are sometimes referred to as "marking to market." In determining "fair value" by reference to current interest rates and other factors, the board of directors of a money market fund may, in its discretion, utilize whatever method it determines in good faith to be most appropriate. The method utilized could be based in part, for example, upon quotations by dealers or issuers for securities of similar type, quality and maturity.

Except in the circumstances delineated above, the Commission believes that, in view of the experience which has now been gained with respect to the characteristics of money market funds, the use of the amortized cost method of valuation by a money market fund could in the future represent a "good faith" effort to determine the "fair value" of portfolio securities for purposes of Rule 2a-4; such valuation by a money market fund bears the impact of market factors subsequent to the date a debt security is purchased on the value of such security. Moreover, the probability that amortized cost valuation will not approximate "fair value" is progressively greater for securities of increasingly longer maturities. The Commission believes that the use of amortized cost valuation by money market funds in valuing securities with remaining maturities in excess of 60 days is not an appropriate estimate of market value or "fair value" and further that, because alternative valuation procedures which consider market factors are available, use of amortized cost valuation under such circumstances as an estimate is not necessary. This standard should help insure that fund shares are sold and redeemed at a price fairly representing the appropriate proportionate share of funds' current net assets, and minimize the potential for dilution of the assets and returns of existing shareholders.

The Commission is also of the view that money market fund shareholders should be accurately credited with the effects of any unrealized appreciation or depreciation that may occur when the value of a fund's portfolio fluctuates. If such effects are not reflected in either a fund's net asset value or the distributions to shareholders, as a practical matter the result would be a situation analogous to that which would exist if amortized cost valuation were used, and similar dilutive effects could occur. Such may be the case, for example, where a money market fund "marks to market," but desires a daily dividend of accrued interest income and cost value remaining unrealized appreciation or depreciation in a "floating" net asset value of $1.00 nominal value per share, rounded to the nearest cent. Under these circumstances, unrealized capital changes, which could materially affect the value of such fund's portfolio, would ordinarily not be of such magnitude as to change the net asset value by one cent. The effects of unrealized appreciation and depreciation, in the case of a fund with a "floating" net asset, would generally appear in the third and fourth decimal places, and when rounded to the third decimal place (i.e., tenths of one cent) would still not have a one cent impact on the net asset value. Moreover, if such a one cent change should occur, dilution may also result, since a relatively small change in the net asset value to change by one cent. The effects of unrealized appreciation and depreciation, in the case of a fund with a "floating" net asset, would generally appear in the third and fourth decimal places, and when rounded to the third decimal place (i.e., tenths of one cent) would still not have a one cent impact on the net asset value. Moreover, if such a one cent change should occur, dilution may also result, since a relatively small change in the net asset value to change by one cent.

In that release, the Commission noted various fund actions which might be considered analogous to "fair value," which factors included: Yield to maturity with respect to debt issues; current market quotations or other readily available prices of such securities which influence the market in which such securities are purchased and sold; and the price at which similar trading in similar securities of the issuer or comparable companies, and other relevant matters.

2 See note 8 supra.