



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

June 8, 2006

Mr. Michael D. Udoff
Vice President
Associate General Counsel and Secretary
Securities Industry Association
120 Broadway, 35th Floor
New York, NY 10271-0080

Re: Exemption from Section 11(d)(1) for Money Market Funds

Dear Mr. Udoff:

Based on the facts and representations set forth in your letter dated June 5, 2006, and without necessarily concurring with your analysis, we find that it is appropriate in the public interest and consistent with the protection of investors to grant, and hereby grant, an exemption pursuant to Section 36(a) of the Securities and Exchange Act of 1934 ("Exchange Act") from Section 11(d)(1) of the Exchange Act to permit brokers-dealers registered pursuant to Section 15(b) of the Exchange Act to extend to their customers immediate margin on newly purchased, fully paid shares of Sweep Funds (as defined in your letter).

In granting this exemption, we note in particular that the automatic functionality of Sweep Funds prevents customers from maintaining a position in Sweep Fund shares to the extent the account has a margin debit balance. In addition, because this exemption would only permit a broker-dealer to extend credit on shares of Sweep Funds for which a customer has already paid in full, a broker-dealer would continue to be prohibited from selling Sweep Fund shares to a customer on credit.

The foregoing exemption from Exchange Act Section 11(d)(1) is based solely on your representations and the facts presented, and is strictly limited to the application of that section to Sweep Fund shares under the circumstances described in your letter.¹ In the event that any material change occurs with respect to any of those facts, representations, or circumstances, such activity should be discontinued, pending presentation of the facts for our consideration.

¹ We note, however, that this exemption would be available for Sweep Funds held in portfolio margin accounts under existing rules of self-regulatory organizations, as well as any rules adopted by self-regulatory organizations in the future.

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The foregoing exemption is subject to modification or revocation if at any time the Commission determines that such action is necessary or appropriate in furtherance of the purposes of the Exchange Act. We express no view with respect to any other questions the proposed transactions may raise, including, but not limited to, the adequacy of disclosure concerning, and the applicability of other federal and state laws or rules of any self-regulatory organization to, the proposed activity.

For the Commission,
by the Division of Market Regulation,
pursuant to delegated authority,²



Catherine McGuire
Chief Counsel