

The State Bar of California
Legal Services Trust Fund Program
Money-Market Fund Review Policy

I. Scope

This policy governs the Legal Services Trust Fund Commission's review of whether a money-market fund satisfies the requirements of Business and Professions Code § 6213(j) for purposes of IOLTA interest rate comparability.

II. Authority

The State Bar, through its Board of Governors, and in turn, the Legal Services Trust Fund Commission administers lawyers' interest-bearing trust fund accounts pursuant to authority conferred by Business and Professions Code Section 6210 et seq. [Funds for the Provision of Legal Services to Indigent Persons] and Rule 4 of the State Bar of California Board of Governors Rules Regulating Interest-Bearing Trust Fund Accounts for the Provision of Legal Services, as amended January 12, 2008. This policy is adopted to facilitate the Commission's duties under these provisions, as assigned to it by the State Bar's Board of Governors.

III. Suitable and Authorized Investments

B&P Code Section 6213(j) specifies that accounts may be held in an interest-bearing checking account, or "investment sweep product that is a daily (overnight) financial institution repurchase agreement or an open-end money-market fund." The statute further provides that,

A daily financial institution repurchase agreement shall be fully collateralized by United States Government Securities or other comparably conservative debt securities, and may be established only with any eligible institution that is "well-capitalized" or "adequately capitalized" as those terms are defined by applicable federal statutes and regulations. An open-end money-market fund shall be invested solely in United States Government Securities or repurchase agreements fully collateralized by United States Government Securities or other comparably conservative debt securities, shall hold itself out as a "money-market fund" as that term is defined by federal statutes and regulations under the Investment Company Act of 1940 (15 U.S.C. Sec.80a-1 et seq.), and, at the time of the investment, shall have total assets of at least two hundred fifty million dollars (\$250,000,000).

The requirements of Business and Professions Code § 6213(j) will be deemed to be satisfied if funds are swept to an open-end money-market fund that, on the date of review, satisfies all of the criteria below:

- (1) The fund holds itself out as a "money-market fund" as that term is defined by federal statutes and regulations under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.); and
- (2) The fund has total assets of at least two hundred fifty million dollars (\$250,000,000); and
- (3) At least 90 percent of the total assets of the fund are invested solely in any or all of the following:
 - a. United States Government Securities;
 - b. Securities of any Government Sponsored Enterprise; and/or

- c. Repurchase agreements that are fully collateralized by United States Government Securities or securities of any Government Sponsored Enterprise.
- (4) Up to 10 percent of the total assets of the fund may be invested in “First Tier” securities as defined in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, 17 CFR Sec. 270.2a-7, provided that:
 - a. The fund has a current rating in the highest rating category from at least one nationally recognized statistical rating organization.

This policy will be reviewed periodically and revised as necessary to reflect changes in available investment vehicles and prevailing industry standards.