

20 NCAC 03 .0712 MINIMUM FUND STANDARDS

- (a) A Fund may only invest in securities permitted by G.S. 159-30(c). A Fund shall not purchase any security with a maturity exceeding seven years.
- (b) A Fund shall be registered with the SEC as an investment company pursuant to the Investment Company Act of 1940 and shall comply with all applicable SEC rules, regulations, and reporting requirements. The SEC requirements of 17 CFR Chapter 2 are incorporated by reference, including subsequent amendments and editions, and are available online, at <https://www.ecfr.gov/current/title-17/chapter-II> at no cost. SEC registration and compliance do not modify the requirement that a Fund comply with G.S. 159-30. The Investment Company Act of 1940 is incorporated by reference, including subsequent amendments and editions and is available online, at <https://uscode.house.gov/browse/prelim@title15/chapter2D/subchapter1&edition=prelim> at no cost.
- (c) A Fund shall be established and operated in such a manner that any local, state, or federal income tax liability shall be passed through to the Active Participants.
- (d) A Fund shall periodically report performance in conformance with SEC rules and regulations, 17 CFR Chapter 2, and the reports shall include at least annually the Fund's performance against the benchmarks assigned by the Fund. A Fund shall assign a benchmark that meets the following requirements:
- (1) is unaffiliated with the Fund's Manager;
 - (2) is specified in advance; and
 - (3) is representative of the Fund's current investment strategy and parameters.
- (e) A Fund shall calculate a daily net asset value according to US "generally accepted accounting principles" (GAAP) and allow investors to transact daily at the net asset value.
- (f) A Fund shall be managed by an investment adviser registered with either the SEC as an investment adviser pursuant to the Investment Advisers Act of 1940, or the North Carolina Secretary of State as an investment adviser pursuant to the North Carolina Investment Advisers Act, and such investment adviser shall comply with all applicable federal and state rules, regulations, and reporting requirements. The Investment Advisers Act of 1940 is incorporated by reference, including subsequent amendments and editions and is available online, at <https://uscode.house.gov/browse/prelim@title15/chapter2D/subchapter2&edition=prelim> at no cost. The North Carolina Investment Advisers Act, G.S. 78C is incorporated by reference, including subsequent amendments and editions and is available online, at https://ncleg.gov/EnactedLegislation/Statutes/HTML/ByChapter/Chapter_78C.html at no cost.
- (g) The sale and marketing of a Fund shall adhere to all applicable federal and state laws and regulations.
- (h) A Fund shall bear one of the two highest ratings of at least one nationally recognized rating service and shall not bear a rating below one of the two highest ratings by any nationally recognized rating service which rates the Fund.
- (i) A Fund shall disclose prominently in its prospectus, marketing materials, and communications with Eligible Participants and Active Participants that it invests only in those securities that are authorized for investment by units of local government pursuant to G.S. 159-30(c)(8) and this Section.
- (j) A Certified Mutual Fund shall disclose prominently in its prospectus, marketing materials, and communications with Eligible Participants and Active Participants that, in contrast to a Certified Money Market Mutual Fund, such Certified Mutual Fund does not seek to maintain a stable one-dollar net asset value (NAV) per share.

History Note: *Authority G.S. 159-3(f); 159-30(c)(8);
 Eff. October 1, 2023.*