

September 16, 2013

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

RE: File Number S7-03-13, Money Market Fund Reform

Dear Secretary Murphy,

iMoneyNet, the leading provider of money-market mutual fund data since 1975, appreciates the opportunity to comment on the approved proposed rules for money-market mutual fund reform. It is our belief that the SEC did an excellent job of working closely with the industry to develop the last round of amendments to Rule 2a-7. Those amendments helped address the issues that arose during the unprecedented credit event that rocked the financial markets in 2008 and have made money funds an even better cash-management product. With that said, we do not believe it would be a prudent idea to require institutional prime funds or tax-exempt funds to move to a floating net asset value.

Institutional prime funds currently have almost \$1 trillion in assets under management despite an average seven-day yield of just 2–3 basis points. These funds are professionally managed by highly dedicated and experienced teams. They offer a product with extremely diversified holdings that provide a high level of safety, liquidity and convenience to institutional investors. A large part of the appeal of these funds is their stable share price. Based on feedback we have received from both fund sponsors and investors, the elimination of the stable share price could result in an 80–90% reduction in institutional prime fund assets, if not the total elimination of this very valuable cash-management tool. This scenario would have a major negative impact, not only on money fund sponsors, but also the commercial paper markets and the greater economy.

Similarly, we believe that not exempting tax-free money-market funds from potentially being required to also adopt a floating NAV poses potential higher funding costs for governmental entities that issue securities purchased by this \$267 billion fund sector which will likely be absorbed by their taxpayers or rate payers.

Before institutional prime funds became an extremely popular cash-management tool, many institutional investors had cash-management departments that directly purchased money-market instruments. Depending on the amount of cash they managed, and where short-term interest rates were at that time, it may have been a good idea. Today, it would not be cost effective to attempt to rebuild those capabilities. Thus, they can either try to do it with limited staffs and resources, which would prove to be a daunting and most probably a risky proposition, or turn to other far less attractive and expensive outsourcing alternatives. If institutional prime funds are either eliminated entirely or are greatly reduced in size, and institutional investors do not invest directly in



nongovernment debt, then the demand for short-term nongovernment issuances may drop dramatically at a time when the economy can least afford for that to happen.

Former SEC Commissioner Troy Paredes and many others have questioned why the SEC would consider mandating a floating net asset value when it would not be an effective means of stopping potential runs on money funds. Almost all of the comments you have received so far are highlighting the fact that it is not in the best interest of the investor, fund sponsors or the financial markets to require prime institutional funds to have a floating net asset value. It is our opinion that making such a radical change is not necessary, does not address the issue of runs, and will do far more harm than good.

Thank you for your consideration.

Sincerely,

Randy Wood
Managing Director
iMoneyNet