SIFMA
Securities Industry and
Financial Markets Association

September 8, 2009

VIA E-MAIL RULE-COMMENTS @SEC.GOV

Ms. Elizabeth M. Murphy
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Securities Industry and Financial Markets Association comments on File No S7-11-09, Release No. IC-28807 (the "Release")

Dear Ms. Murphy:

Securities Industry and Financial Markets Association ("SIFMA") appreciates the opportunity to submit this letter in response to the request for comments made by the Securities and Exchange Commission (the "Commission" or "SEC") in the Release. SIFMA brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. This letter has been prepared by the Asset Management Group ("AMG") of SIFMA, the voice for the buy side within the securities industry and the broader financial markets. The leadership of the AMG is comprised primarily of Chief Operating Officers and other senior executives at asset management firms, including the largest and most influential market participants in the United States. Collectively, the members of the AMG represent approximately $20 trillion of assets under management.

This comment letter focuses on the aspects of the proposals that bear most directly on the AMG's major concerns: improving the operations, efficiency, and trust in capital markets, enhancing regulatory effectiveness and addressing the "nuts and bolts" of the buy side's operations. Accordingly, we have addressed the more fundamental issues that define money market funds and are most likely to effect the markets, along with certain operational and reporting matters of interest to asset managers. We have left portfolio management issues for comment by members of SIFMA.

As an initial matter, SIFMA expresses its strong support for the Commission in its goals of increasing the resilience of money market funds to economic stresses, reducing the risks of significant redemptions on the funds, facilitating the orderly liquidation of a money market fund that breaks the dollar and liquidates, and improving the Commission's oversight of money market funds. SIFMA also generally supports the Commission's proposals, which we expect will help achieve these goals. Specifically, the proposed enhancements to risk-limiting conditions of Rule 2a-7 (the "Rule") and liquidity requirements would make it less likely that a money market fund will break the dollar; the proposed liquidity requirements would decrease the risk of unexpected redemptions in a fund and lessen the impact of those redemptions; the proposals dealing with Board actions upon exigent circumstances would protect shareholders by rationalizing the liquidation process; and the proposed reporting requirements would enable the Commission to better achieve its oversight mandate. In short, we believe that these enhancements to Rule 2a-7 and the surrounding regulatory structure will be key to furthering the soundness of money market funds and maintaining investors' confidence in them.

While we support the proposals, we also are greatly concerned that certain of the suggestions or recommendations would either interfere with the operation of money market funds or would alter crucial characteristics of money market funds and accordingly cause substantial harm both to shareholders who rely on them as a critical cash management vehicle and to issuers who depend on them as a source of financing. Certain of these suggestions or recommendations essentially would prohibit money market funds in the form that has been embraced by the investing and issuing communities.

We identify below the potentially damaging reforms to money market funds, and we also recommend several modifications to certain other proposals, which we feel will further strengthen the resilience of money market funds, rationalize the liquidation process and foster the Commission's oversight. We applaud the Commission on its thorough and well-thought out approach to money market fund reform.

1. Floating Net Asset Value ("NAV")

Recommendation: Do not require money market funds to adopt a market- based ("floating") NAV.

We believe that the requirement for a floating NAV is a more sweeping reform than necessary to address the Commission's concern regarding fair treatment of shareholders (expressed in the Release), and will create more difficulties for shareholders than it will resolve. Shareholders want to invest in stable NAV money market funds, and we expect that if the NAV floats, many shareholders would redeem out of money market funds in favor of other products, some of which may be less carefully regulated, and therefore pose more systemic risk.

The many benefits of the stable NAV and possible negative consequences of the floating NAV are listed in an attachment to this letter. But we wish to state the most significant and meaningful benefit at the outset: the stable NAV serves the needs of investors. In fact, comment letters on the proposals posted on the Commission's website have overwhelmingly favored retaining the stable NAV. Many of the letters from individuals focus solely on this issue – evidence of the critical importance to investors of the stable NAV.

One of our members surveyed 37 of its largest institutional money market fund shareholders, which collectively represented over $60 billion invested in the member's institutional money market funds. These clients came from a cross-section of business lines within the member firm (e.g., broker-dealer sweep services, asset servicing, corporate trust, cash collateral management, operating cash management). Of those responding to the survey, 86% reported that a stable NAV was a "very important" factor in their decision to utilize a money market fund. Several of these respondents noted that operational issues associated with floating NAVs would virtually eliminate the money market fund as an eligible option for sweeping cash assets. Of those responding to the survey, 67% reported that if the floating NAV were introduced, their business could not continue to invest in the fund and would have to seek an alternative investment option. Of the respondents who could not continue to invest in floating NAV money market funds, 28% said they would invest directly in money market instruments, which would increase their risk as they did not have the resources to manage short-term investments. Further, clients who would move to alternative investments expected to incur increased costs.

We also urge the Commission to consider the potential adverse effect on the capital markets generally if the stable NAV is eliminated. Money market funds are a critical source of low cost short term financing, and the elimination of that source of funding could drastically affect governments, bank and non-bank issuers and municipalities. Investment advisors may find a means to meet this need by creating a stable NAV product outside the protections of the Investment Company Act of 1940 (the "1940 Act"). But this would increase risks to shareholders. Or, the cash held in money market funds may be transferred to banks. Banks do not currently have the capital to take on deposits in amounts that would accommodate the cash held money market funds. Further, municipalities would suffer, as banks cannot pass along tax-exempt interest.

It is not necessary to alter the fundamental nature of money market funds to achieve the Commission's goals. The other proposed reforms in the Release will reduce the likelihood that a money market fund will break the dollar and, if a fund does break the dollar, will rationalize the liquidation process so all shareholders are treated fairly.

2. Disclosure of Market Value of Shares or of Portfolio Holdings

Recommendation: Do not require money market funds to disclose the market value of shares or of portfolio holdings

We urge the Commission *not* to require public disclosure of the market-based NAV per share or of the market-based values of fund holdings. The information would not be of use to shareholders. They would have no basis on which to understand the significance of minor deviations between market value and amortized cost value. We are concerned that disclosure of this information would harm shareholders by precipitating significant redemptions on a money market fund. Based on past experience, deviations between market value and amortized cost value are inconsequential to shareholders in almost all cases (other than two instances in the thirty-plus year history of money market funds when a money market fund broke the dollar). But if market values are disclosed, there is a danger that shareholders may redeem shares in large numbers in reaction even to inconsequential deviations between amortized cost value and market vale of a share or of fund holdings.[1] Those redemptions, alone, could magnify an otherwise insignificant deviation between amortized cost and market value by shrinking fund assets and could also exacerbate an otherwise unimportant deviation by requiring the rapid disposition of portfolio holdings at unfavorable prices. In effect, this proposed reform would engender the very danger to shareholders that the Commission is seeking to avoid.

We understand the Commission's desire to provide all shareholders equal access to information on market values. But, like the floating NAV, disclosure of the market value of shares or of portfolio holdings is too sweeping a reform to address the issue at hand. The more targeted proposals in the Release will help minimize the deviation between market and amortized cost value of portfolio holdings and fund shares, without creating the risks that result from disclosure of market values.

3. Redemptions in Kind

Recommendation: Do not make redemptions in kind mandatory.

We urge the Commission not to require that redemptions that exceed a specified amount be made in-kind. In-kind redemptions currently are permitted, and there is no advantage to making them mandatory.

The payment of cash upon redemption is a critical attribute of money market funds, central to investors' decision to invest in money market funds. If that attribute were eliminated, we believe that money market fund investors who anticipate requiring redemption proceeds in excess of the maximum permitted in cash likely will not invest in money market funds (or may invest only up to the maximum) and may shift current investments (or investments above the maximum) to products that do provide cash promptly. These products may provide less attractive yields or lack the rigorous protections of the 1940 Act.

Many shareholders are not equipped to assess the value of assets that would be distributed to them, so that receipt of securities would pose a hardship. Further, we believe that shareholders will be likely to liquidate the in-kind securities they receive, as investments in money market funds are used for cash management purposes. Compared to investment advisers, most shareholders are ill-equipped to effectively manage the sale of securities so as to minimize market impact. Accordingly, in-kind redemptions will not prevent downward pressure on the price of portfolio holdings that would result from sales by a fund to satisfy redemptions in cash; it would simply move control over sales into the market from the fund's hands and into the shareholder's less experienced hands. Also, the specter of an in-kind redemption may prompt shareholders who anticipate being redeemed in-kind to time their redemptions earlier, if the

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[1] The Investment Company Institute provides statistics that bear out this concern in short term bond funds in its Report of the Money Market Working Group dated March 17, 2009. (See Section 8.1.1.1 of the Report.)

market appears to be tending towards instability. These earlier redemptions could hasten downward pressure on prices.

In-kind redemptions may entail operational challenges for funds. Some holdings are not divisible or pose other impediments to transfer (such as repurchase agreements or other agreements with counterparties). Further, following a required in-kind redemption, the fund could be left with a small or odd-lot holding with a value reduced due to the size of the holding. Given these challenges, it would be ill-advised to impose a blanket requirement to redeem in-kind for transactions. Rather, the fund manager should continue to be permitted to consider redemptions in kind on a case-by-case basis in together with each shareholder, to allow consideration of all factors prevailing at the time, such as the nature of fund's holdings, whether disposition of the holdings would harm remaining shareholders and events in the marketplace.

We recommend that the Commission require money market funds to disclose that redemptions may be made in-kind. (The Commission notes that many money market funds already include this disclosure.) In addition, we recommend that the Commission require a money market fund to disclose in its Statement of Additional Information if it is aware that redemptions in kind to any particular category of its shareholders are impossible (for example, shareholders investing through sweep accounts that provide for redemptions for cash only). Each money market fund could then determine on a case-by-case basis whether redemption in kind would be appropriate for a particular transaction.

4. Portfolio Liquidity - Cash and Securities Convertible to Cash

Recommendation: Add to Rule 2a-7 a minimum requirement for holdings of cash and securities convertible to cash. A majority of the members of the AMG strongly oppose requiring different cash minimums for retail and institutional funds, while other members strongly support requiring different cash minimums for retail and institutional funds.

Liquidity is of paramount importance to money market mutual funds. Money market funds typically promise to honor redemptions well within the period permitted by the 1940 Act, in many cases before the end of the day the redemption is submitted. Further, liquidity can affect portfolio management. If a fund must sell holdings to satisfy redemptions, the fund may be forced to sell marketable securities that it would otherwise wish to retain from a portfolio management standpoint. Lastly, our members have an overarching concern that if a money market fund fails to maintain adequate liquidity and as a result cannot honor redemptions timely, the difficulties may trigger rapid redemptions in other money funds and discredit the entire money market mutual fund sector.

Given the importance of liquidity to shareholders, our members generally support the Commission's proposal to impose a percentage minimum on cash and securities convertible to cash. A majority of the members of the AMG strongly oppose requiring different cash minimums for retail and institutional funds, offering a number of reasons - including reasons which suggest that distinguishing between the types of funds will create more problems for shareholders than it will solve.

- The "retail" vs "institutional" dichotomy is not the appropriate division to best protect shareholders; indeed, it is challenging to create an appropriate division as a generally applicable rule. Any large shareholder, even if retail, can test liquidity by redeeming suddenly. There may be other criteria that are more relevant for some funds. For example, events affecting the cash needs of shareholders in a particular state may be a liquidity concern for single-state funds.

- Given that many money market funds offer a range of share classes that are targeted at both retail and institutional shareholders, it is not realistic to divide the industry into two distinct groups for liquidity management purposes. The inability to develop a coherent, objective standard to differentiate between retail and institutional funds likely will result in subjective and inconsistent decisions across the industry and could even result in investors attempting to "game" the dichotomy in their pursuit of yield.

- The Commission's proposal to impose liquidity requirements for money market funds, which we wholeheartedly support, should also be considered in light of many of the other steps the Commission is proposing to strengthen the regulatory framework of money market funds.

On the other hand, other members of the AMG strongly advocate differing cash requirements for retail and institutional funds based on their view of the differing liquidity needs of retail and institutional shareholders, as borne out by historical data of their funds' redemption activity. These advocates report that differing cash floors are necessary to protect shareholders. We encourage the Commission to consider carefully the comment letters submitted separately by our members.

Whether the Commission imposes separate or uniform cash requirements, the Commission must define "daily liquid assets" and "weekly liquid assets" broadly enough so that the investment adviser can construct an adequately diversified, high quality portfolio. In particular we recommend that the Commission include within the definitions of Daily and Weekly Assets:

- Short term U.S. Government securities*, including securities issued by agencies of the U.S. Government*.

- Repurchase agreements with the appropriate terms.

- Shares of other money market funds.

Agency securities have offered almost as much liquidity as U.S. Treasury securities, and repurchase agreements and money market shares also have been appropriately liquid. Each of these types of instruments is an important segment of the one-day and seven-day maturity spectrum for money market fund portfolios.

5. Fund Liquidation - Shareholder Choice of Liquidity or Principal Preservation upon Fund Liquidation

Recommendation: Do not require Funds to provide shareholders a choice between liquidity and principal preservation upon fund liquidation.

The Commission notes that if a fund suspends redemptions to liquidate, different shareholders may have different preferences for liquidity and principal preservation. The Commission asks whether a fund that decides to liquidate and suspend redemptions should be allowed or required to offer shareholders the choice of redeeming their shares immediately at a reduced NAV per share that reflects the fair market value of fund assets or receiving their redemption proceeds at the end of the liquidation process, when they may receive the economic benefit of an orderly disposal of assets. (In this letter the shareholders who chose between the two alternatives are referred to as "liquidity shareholders" and "stability shareholders.") The Commission also asks whether investors should be required to choose their preferences at the time liquidation or the time they purchase fund shares.

We strongly oppose the idea of providing shareholders the choice between two approaches to asset liquidation. This change would be detrimental to shareholders as it would prevent the investment adviser from considering the best interests of *all* shareholders based on the securities held, and conditions prevailing, at the time of liquidation.

Further, satisfying both liquidity and stability shareholders would pose an insurmountable challenge for fund managers. The fund manager would have the task of deciding which securities to sell to honor redemptions by liquidity shareholders (or, perhaps what "haircut" the liquidity shareholders should be charged with on sales of portfolio securities), to assure that stability shareholders are treated fairly.[2] It would be difficult, if not impossible, to devise a principled method to liquidate the fund that would avoid subjecting the fund to challenge by either liquidity shareholders or stability shareholders (or both). Decisions about fund liquidation are best left to the fund manager to determine, guided by its fiduciary duties to serve the best interests of its shareholders.

If the Commission determines that shareholders must be provided a choice, the choice should *not* be made at the time of fund liquidation. The operational challenges of gathering this information under the exigent circumstances of liquidation likely would make the inquiry all but impossible, and at the least, impractical. Having shareholders choose at the time they purchase into a fund would be better, but still an ill-advised requirement. Shareholders would have no

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[2] The Commission asks whether the fund Board should be involved in the process of determining the "haircut." We believe this is outside the Board's expertise.

basis on which to determine which alternative would serve their interests at the time of liquidation, as they cannot predict the nature of fund holdings or the state of financial markets.

6. Quality – Elimination of References to Credit Ratings

Recommendation: Do not eliminate ratings requirement from the Rule.

We strongly recommend that Rule 2a-7 continue to include the important shareholder protection that each holding meet specified ratings standards. Specifically, under the Rule, at the time each holding is acquired, it must have short-term ratings from the requisite nationally recognized statistical rating organizations ("NRSROs") of at least second tier quality,[3] or, if unrated, be determined by the fund Board or its delegate to be of comparable quality. Under a separate requirement, each security must present minimal credit risks as determined by the Board or its delegate. In effect, the rating requirement creates a quality "floor," separate from and in addition to the minimal credit risk requirement.

The Commission notes that recent events have called into question the reliability of ratings. Nevertheless, forbidding use of ratings as a floor eliminates an important protection for shareholders. The ratings provide an easily-understandable credit quality benchmark that is uniform across funds, rather than differing based on an investment manager's particular approach. The rating thus allows an additional level of comfort for investors.

An additional benefit of the rating requirement is that it prevents a fund manager from straying too far afield from high quality requirements in search of yield. By providing a quality floor, ratings help sustain the integrity of management decisions across the industry.

We note that the Obama Administration's June 2009 White Paper on reform of financial markets advised the enhancement of regulation of rating agencies, but did not advocate completely eliminating the role of rating agencies in regulation. We agree with the White Paper's recommendation that the SEC should continue its efforts to strengthen the regulation of credit rating agencies, including measures to require that firms have robust policies and procedures to manage and disclose conflicts of interest and otherwise promote the integrity of the ratings process. We support the SEC's initiatives in this regard. We have issued our report setting forth recommendations to avoid a recurrence of the rating irregularities that occurred during 2007 and 2008.[4] These initiatives would avoid "throwing out the baby with the bathwater" insofar as ratings are concerned.

The Commission itself has acknowledged that rating agencies perform a unique and useful role. The Commission included a requirement in the Rule that asset backed securities be rated because the Commission concluded that credit analysis of a security backed by a large pool of financial assets (such as credit card receivables) requires an actuarial analysis that differs from

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[3] Proposed to be increased to first tier quality in the Release.
[4](See "Recommendations of the Securities Industry and Financial Markets Association Credit Rating Agency Task Force" dated July 2008.

a manager's typical credit analysis methods.[5] Also, the Rule includes a requirement that guarantees be rated by a rating agency, because the Commission wanted to "ensure input into the minimal credit risk determination by an outside source."[6]

7. Quality – Fund Designation of Rating Agencies

Recommendation: Allow a fund to designate three or more NRSROs whose ratings the fund would look to in determining eligibility of a security, but do not make designation mandatory.

The Commission suggests that the Board designate NRSROs to be monitored for quality determinations. The Commission also suggests that the Board determine at least annually that the designated NRSROs are sufficiently reliable for that use. We suggest that a fund be permitted, but not required, to designate and annually evaluate the reliability of three or more NRSROs on whose ratings the fund will rely. The fact that some funds will designate NRSROs may encourage competition among NRSROs to be selected, and accordingly will encourage NRSROs to improve the accuracy of their ratings. This would help counter the conflict of interest posed by the fact that NRSROs generally are compensated by the issuer, rather than by the user of the ratings. Enhanced reliability of ratings will better protect shareholders of money market funds.

If the Commission adopts this proposal, we recommend that the investment adviser, rather than the Board, designate the selected NRSROs and make the annual determination. We believe that designation and evaluation of NRSROs will require a technical and statistical expertise that is outside a Board's typical oversight role. The Board can fulfill its oversight duty by review of the adviser's reports on its designation of NRSROs.

8. Portfolio Liquidity – Procedures to identify risk characteristics of shareholders

Recommendation: Clarify that procedures to identify risk characteristics of shareholders apply only to shareholders whose redemption in full could threaten fund liquidity.

We agree with the Commissions statement that a fund should adopt policies and procedures to assure that appropriate efforts are undertaken to identify risk characteristics of shareholders. We recommend that the Commission clarify that these policies and procedures would require identification of risk characteristics of shareholders whose redemption in full would materially impact the fund's liquidity. It is impractical for a fund to monitor the redemption risk of every shareholder's account, given that there may be thousands of shareholders, and many accounts are small. A requirement to review risk characteristics of all

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[5] See December 2, 1997 adopting release for amendments to Rule 2a-7, note 52.
[6] See December 10, 1996 proposing release for amendments to Rule 2a-7, note 22.

shareholders would entail costs that would ultimately be passed along to shareholders, but will not provide commensurate benefits.

9. Fund Liquidation - Board Suspension of Redemptions upon Liquidation

Recommendation: Allow board to suspend redemptions upon liquidation.

We support the Commission's recommendation that the Board have the authority to suspend redemptions upon breaking the dollar if the Board, including a majority of the independent directors, approves liquidation of the fund. By suspending redemptions, the Board may better allow the manager to avoid selling assets at fire sale prices to satisfy redemptions and thereby preserve value for the benefit of shareholders.

10. Board Suspension of Redemptions under Exigent Circumstances other than Liquidation

Recommendation: The Board should be empowered to suspend redemptions under exigent circumstances.

We support the Commission's suggestion that the Board be permitted temporarily to suspend redemptions during certain exigent circumstances other than liquidation of the fund. As recommended in the Report of the Investment Company Institute's Money Market Working Group dated March 17, 2009, the Board should be permitted (no more frequently than every five years) temporarily to suspend redemptions if the Board, including a majority of the independent directors, determines that the fund's net asset value is "materially impaired." This provision would provide time for directors to attempt to find a solution to the challenge to share valuation. The Commission asks how to ensure that directors would use the authority only in exigent circumstances. Given the tremendous reputational damage for a fund should it suspend redemptions, we believe that Boards would have scant incentive to suspend redemptions other than under the most extenuating circumstances. Also, Boards are subject to duties of loyalty and care under state law. The directors are bound by these duties to perform in good faith, in a manner they reasonably believe to be in the best interests of the fund, and with the care that an ordinarily prudent person in like position would use under similar circumstances. Under this standard, a Board would not suspend redemptions unless necessary in the interests of shareholders.

If redemptions are suspended, we believe the fund should be required to disclose prominently on its website on the business day of the event the fact of the suspension. The Commission should clarify that a fund is not required to mail a sticker to existing shareholders regarding the suspension, given that this would be a significant additional cost to the fund under exigent circumstances - a time when asset preservation for shareholders should be foremost.

11. Processing of Transactions - Capability to Effect Share Transactions at other than $1.00

Recommendation: Allow an adequate compliance period.

The Commission proposes to require money market funds to have the capability to process share transactions at other than $1.00. We suggest that the Commission carefully consider the costs and benefits to shareholders of implementing this proposal. Achieving that capability will demand significant time and resources. Each fund will need to ensure that systems are modified at a significant number of organizations through whom the fund effects transactions, including transfer agents, sub-transfer agents, record keepers, intermediaries and print vendors who issue trade confirmations and shareholder statements. If this proposal is adopted, we urge the Commission to allow an adequate period of time for implementation of this requirement.

12. Disclosure - Monthly Filings on Form N-MFP

Recommendation: Allow at least fifteen days after month-end for a fund to make the filing and eliminate certain of the required disclosures.

We support the Commission's proposal to require more detailed reporting to the Commission regarding money market funds and their portfolios, through a new monthly filing on Form N-MFP. The Form would be required to be filed no later than the second business day of each month, current as of the last business day of the preceding month. We recommend that the Commission allow filing to occur as late as fifteen business days after the end of each month. Some funds will find it exceedingly difficult to gather the required information in the two day timeframe, without possibly compromising the accuracy of the information.

We also recommend that one item of the information included in the proposed Form N-MFP be eliminated. Funds should not be required to provide CIK numbers for holdings, as these numbers are not in general use; a fund would have no reason to collect this information but for the filing of Form N-MFP.

13. Disclosure - Monthly Website Disclosure of Holdings.

Recommendation: Allow ten business days rather than two for website reporting of holdings.

We support the proposal to provide portfolio holdings information monthly at each fund's website. However, as with the Form N-MFP, we also recommend additional time for a fund to post the information. The Commission should allow posting of the required information on the fund website as late as ten business days after the end of each month to enable the fund to gather the required information from multiple sources and assure accuracy. The process involves manual steps, and is particularly time-consuming for municipal securities. It is in shareholders' interests to help ensure the information is accurate, and there is no detriment to shareholders in slightly delaying the posting of the information. Funds with the capability to post information more quickly would be free to do so if market pressures so dictate.

We also recommend that a fund be required to maintain the information on the website for six months, rather than twelve months. We believe that holdings information that is more than six months old is of limited relevance for shareholders given the short-term nature of the fund's holdings.

14. Implementation

Recommendation: Include a grandfathering provision and a tiered implementation timeline.

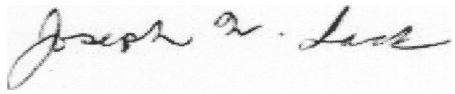
We recommend that the Commission permit grandfathering of holdings and use a tiered implementation timeline for any amendments. That is, portfolio management changes should be required to be implemented in such fashion that a fund will not be required to dispose of holdings to come into compliance; existing holdings should be allowed to mature out of portfolios. In addition, we recommend that the Commission allow additional time for compliance with changes that will pose operational challenges, such as achieving the capacity to execute share transactions at other than $1.00, filing Form N-MFP with the SEC and providing enhanced website disclosures. (The Commission took the approach of "grandfathering" securities and used a tiered compliance timeline in its amendments to Rule 2a-7 adopted on March 21, 1996 and on December 2, 1997.)

Conclusion

SIFMA respectfully urges the Commission to carefully consider the foregoing comments regarding the Release, as SIFMA believes that certain of the proposed amendments and suggestions raised by the Commission do not appear to be in the best interests of money market fund shareholders and the money markets generally, and would create additional risks and impose substantial unnecessary costs upon money market firms and their shareholders that would be far greater than the potential benefits that might result.

If you have any questions or require additional information, please do not hesitate to contact me at 212-313-1165. Thank you for your attention to this request.

Sincerely,



Joseph W. Sack
Managing Director
SIFMA's Asset Management Group

cc: The Honorable Mary L. Schapiro
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes

Andrew J. Donohue, Director
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Some Benefits of the Stable NAV and Negative Consequences (or Lack of Appreciable Advantage) of the Floating NAV.

Benefits of Stable NAV

Tax convenience – No need to keep record of money fund share purchases and sales for tax purposes.

Accounting simplicity- No need to recognize gains or losses for accounting purposes. No need to mark to market the value of money fund shares.

Operational convenience – Brokers generally offer ATM access, check writing and same day ACH and fedwire transfers for stable value funds only.

Legal constraints – State regulations may authorize certain types of regulated entities to invest only in stable NAV funds, and corporate investment mandates may extend only to stable NAV funds.

Possible Negative Consequences of Floating NAV

Increased systemic risk - Shareholders may move to less regulated stable value cash pools.

Reduced supply of short term credit unless alternatives investments are available. Banks could not provide adequate short-term credit unless they raised significant capital.

Floating NAV Unlikely to Reduce Systemic Risk

Shareholders may still redeem during market turmoil.