Northern Trust Global Investments
50 South La Salle Street
Chicago, Illinois 60603
(312) 630-6000

Northern Trust

September 8, 2009

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Money Market Fund Reform: Release No. IC-28807; File No. S7-11-09

Dear Ms. Murphy:

This comment letter is provided by Northern Trust Investments as Advisor to the Northern Funds and Northern Institutional Funds. We appreciate the opportunity to comment on the Securities and Exchange Commission's proposed amendments to certain rules that govern money market mutual funds under the Investment Company Act. The funds we collectively manage have over $70 billion in money market fund assets representing thousands of personal and institutional clients.

We strongly support the majority of the Commission's proposals to strengthen and support the framework governing money market funds. Ensuring that disruptions in the marketplace, such as those experienced recently, don't negatively impact shareholders is imperative. Money market funds have been a successful and useful tool for all types of investors for over 30 years. The recent turmoil has emphasized the need to address consistency in areas of liquidity, credit quality, duration, transparency of holdings and the funds' ability to withstand widespread market disruption while legitimately maintaining the one dollar NAV. Swift regulatory change can produce unintended consequences and we offer below our observations and insights in the areas we have identified which may create such consequences.

Our firm's historic investment approach to the management of our money market funds has emphasized more liquidity and higher credit quality than many of our competitors. This approach puts us in a good position to formally adopt most of the Commission's proposed measures to improve stability and liquidity while limiting the potential negative impacts to shareholders. Although we have already adopted many of the proposals or can quickly formalize our activities to meet the proposals, we would like to provide some perspective and context for consideration.

We recommend the SEC consider the obligations and responsibilities assigned directly to boards for oversight be matched with the expertise, resources and functional reality of boards' fiduciary responsibilities. We note two examples of this recommendation in the

SEC's proposals. The first comment is related to a board's role in oversight/approval related to NRSRO's. The SEC comment states: "The board would be required to determine at least annually, that the NRSRO's it has designated issue credit ratings that are sufficiently reliable for that use." The second example is regarding stress testing. We regularly test our money market funds' portfolio securities based on various scenarios, including redemption risk, credit risk and interest rate changes. Our experience as an investment advisor working closely with fund boards reinforces our recommendation that an advisor is significantly more qualified to specify scenarios and assumptions regarding stress tests. The board should, as in other similar circumstances, receive regular reports of the advisor's stress testing formalizing their oversight responsibility. Guidance from industry experts and the SEC regarding relevant assumptions and scenarios for stress testing would be beneficial.

Boards are not generally resourced and experienced in these areas and creating new rules subjecting them to such responsibilities raises concerns as to their ability to effectively carry out those duties. We recommend that as new rules are created and existing rules are refined and clarified, the assignment of oversight and review be properly aligned with capabilities and intended roles. This recommendation is consistent with existing 2a-7 provisions that generally allow a board to delegate such responsibilities while maintaining its oversight functions.

In addition, we recommend that rules be supported with definition and clarity. The proposed rules addressing the categorization of funds into "Retail" and "Institutional" are an example of a rule open to significant interpretation. We advise both a personal and an institutional series of funds serving our respective client segments. Since a significant part of our business model is focused on the ultra high net worth segment, we have a large number of clients that are personal, but represent institutional size accounts. We recommend that to the extent possible, rules include definition so interpretation and application are aligned with intent.

We believe that the retail/institutional distinction is an overly simplistic concept that fails to recognize the investment complexities in the marketplace. For example, many firms, including ours, utilize money market funds as "sweep" vehicles for asset management, custody or securities brokerage account activity. The daily routine transaction activities of sweep investors can result in significant daily purchase and redemption activity. The retail/institutional categorization does not address this activity. The intent of the retail/institutional distinction is to prohibit institutional investors from rapidly departing from a retail fund and therefore potentially subjecting the remaining shareholders to holding lower valued securities. Depending on how future rules may differ based on retail or institutional labels, we think the intent of the distinction is already addressed in other rules.

Northern strongly opposes any amendments to Rule 2a-7 that require firms to effect transactions at a "floating NAV" via elimination of the current amortized cost method. The entire money market fund industry has been designed around $1.00 share value. We believe that the complexities associated with conversion to a floating NAV would require expensive, significant systemic changes to operational and recordkeeping activities of investors and providers. We feel that investors would be likely to abandon money market funds in general and seek alternatives to a product that has served the marketplace effectively for over 35 years. Short duration floating NAV products already co-exist with stable NAV money market funds and compliment the array of choices for investors. Eliminating the foundational feature of the $1.00 NAV would serve as the catalyst for the end of money market funds as they exist today. Investors understand that money market funds equate to dollar pricing and cash investing. They also understand that floating rate funds relate to capital markets, not cash investing. We feel that the comprehensive amendments to existing rules and the introduction of new rules strengthening the credit quality, liquidity and flexibility of the funds, eliminates the need to change the stable NAV funds.

Finally, we would like to express our concern regarding the proposal for in-kind redemptions. As we noted above, the Commission's other comprehensive proposed changes should create the desired state of safety, liquidity and valuation. The in-kind redemptions proposalsounds viable as a concept, but is completely unrealistic in application. An example would be a scenario in which an investor receives an in-kind distribution of 1% of the funds shares. Theoretically, the investor would receive 1% of every holding in the fund. However, the reality is that some holdings are not transferable, have restrictions on transfer, and/orcan only be transferred in minimum denominations. In addition, custodial fees are usually assessed per transfer, so expenses related to in-kind redemptions can cause a fund's expenses to increase significantly. Therefore as more frequent in-kind redemptions take place, any securities that cannot be transferred need to be offset by transferring more of the securities that are eligible to transfer. It is not possible to simply increase the other securities pro rata because they are unlikely to have the same maturities, sector concentrations, yields, etc. as the securities the can't be transferred. Each redemption therefore leaves the fund holding more securities that can't be effectively transferred, making each subsequent transfer in-kind more difficult. Accordingy, the in-kind redemption rule could result in a fund in which a significant portion of the portfolio is highly concentrated, non-transferable and is represented by restricted securities. The Northern Funds complex currently provides for in-kind redemptions exists. However, it is rarely utilized because it is extremely difficult to effect. We had considered invoking this feature during last year's financial crisis, but decided against it for the very reasons stated above.

We appreciate the opportunity to comment on the proposals and to offer insight, perspective, and recommendations from our long term experience in successfully managing money market fund assets for our investors. Please contact me if you have any questions at 312.557.2014

Sincerely,

Lloyd A. Wennlund

Lloyd A. Wennlund
President
Northern Funds &
Northern Institutional Funds