

THE DREYFUS FAMILY OF FUNDS

200 Park Avenue
New York, New York 10166

September 5, 2008

Submitted electronically

Ms. Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: References to Ratings of Nationally Recognized Statistical Rating Organizations,
Rel. No. IC-28327, File No. S7-19-08

Dear Ms. Harmon:

The Boards of Directors/Trustees (the "Boards") of money market funds in the Dreyfus Family of Funds (the "Funds") appreciate the opportunity to comment on the above-captioned release (the "Release") proposing amendments to Rule 2a-7 (the "Rule") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Dreyfus Family of Funds includes 46 money market funds, with approximately \$227 billion in assets as of August 31, 2008.

The Boards oppose the proposals of the Securities and Exchange Commission (the "Commission") to eliminate references to ratings by nationally recognized statistical rating organizations ("NRSROs") in the Rule. The Boards believe that retaining references to these ratings serves an important investor protection function by establishing an independently-determined, minimum credit quality for investments made by registered investment companies operating pursuant to the Rule (known as "money market funds"). While the Boards understand that the Commission desires to reduce undue reliance on credit ratings and improve the analysis that underlies investment decisions,¹ we do not believe that the solution is to remove all references to NRSRO ratings from the Rule. If the Commission believes that money market fund boards, advisers and investors and other market participants are placing undue reliance on NRSRO ratings, we believe that there are more effective ways to address this concern, including addressing the ratings process itself and providing money market fund boards and their delegates with interpretative guidance on the meaning of "minimal credit risks." The Commission already has proposed additional requirements for NRSROs that the Release states were directed at reducing conflicts of interest in the credit ratings process, fostering competition and comparability among credit rating agencies and increasing transparency of the credit ratings process.²

Initial Credit Quality Determinations

The Rule already requires that money market fund investments (i) be determined by a fund's board to

¹ The Release at I, p. 5.

² Proposed Rules for Nationally Recognized Statistical Rating Organizations, Securities Exchange Act Rel. No. 57967 (June 16, 2008).

present "minimal credit risks (which determination must be based on factors pertaining to credit quality in addition to any rating assigned to such securities by an NRSRO)"³ and (ii) have received a rating from the Requisite NRSROs (as defined in Rule 2a-7⁴).⁵ The amendments proposed in the Release would replace (i) and (ii)—without the benefit of any interpretive guidance—merely with the obligation to determine that the security presents "minimal credit risks (which determination must be based on factors pertaining to credit quality and the issuer's ability to meet its short-term financial obligations)."⁶ We see no advantage to relying solely on money market fund boards (and/or the fund's investment adviser) to make a minimum credit risk determination, rather than requiring boards to make a determination in addition to satisfaction of minimum requirements for independently determined ratings. We find the reliance solely on this ambiguous determination particularly problematic in that the Release provides no meaningful guidance on the basis for the new proposed determination that an issuer has the ability to "meet its short-term financial obligations." We believe that to remove the NRSRO ratings references serves to lessen, not enhance, the standards that money market fund investments must meet.

The Boards understand that they or their delegates are required to make the "minimal credit risks" determination required under the Rule without reliance solely on NRSRO ratings.⁷ However, we believe that mandating an independently-determined, minimum credit quality for money market fund investments operates as a uniform, industry-wide minimum standard for all funds and limits funds' ability to seek potentially higher yields by investing in riskier securities based on a credit risk determination not limited by any independent evaluation. Since the Commission has not offered clear interpretive guidance on what constitutes "minimal credit risks," to remove the reference to NRSRO ratings provides even less guidance to fund boards (and their delegates) and reduces the objectivity of the process of determining appropriate and permissible securities for investment. Under the current Rule it may at least be inferred that "minimal credit risks" means, at a minimum, that a security must have the requisite NRSRO ratings (or be deemed equivalent). We believe, therefore, that the ratings requirements should be maintained, and also that it would be helpful for money market fund boards, and for the advancement of the Commission's stated goals, to provide interpretive guidance on the "minimum credit risks" determination required by boards or their delegates under the Rule.

Ongoing Monitoring of Credit Quality

We similarly disagree with the Release's removal of rating maintenance criteria for ongoing monitoring of securities in a money market fund's portfolio. Currently, the Rule requires that a security be re-evaluated to determine whether it continues to present minimal credit risk upon a ratings downgrade by an NRSRO (or comparable quality determinations for unrated securities), whereas, under the Rule as proposed to be

³ Money market fund boards typically delegate this determination to a fund's investment adviser. *See* the Release at III.A, pp. 7-8 and Rule 2a-7(e).

⁴ Rule 2a-7(a)(21) defines Requisite NRSROs as (i) any two NRSROs that have issued a rating with respect to a security or class of debt obligations of an issuer or (ii) if only one NRSRO has issued a rating with respect to such security or class of debt obligations of an issuer at the time the fund acquires the security, that NRSRO.

⁵ A security that does not have the Requisite NRSRO rating also may be eligible for investment if determined by the fund's board (or its delegate) to be of comparable quality to a security with the Requisite NRSRO rating. *See* Rule 2a-7(a)(10).

⁶ Similar to (i) in the current determination, the "minimal credit risks" determination could be delegated to the fund's investment adviser.

⁷ The Boards delegate this function to the Funds' investment adviser, The Dreyfus Corporation, which maintains its own credit research department in this regard.

amended, credit quality would have to be reassessed when the investment adviser becomes aware of any information about a portfolio security or an issuer of a portfolio security that may suggest that the security "may not continue to present minimal credit risks" to assess "whether such security continues to present minimal credit risks."⁸ Since, as noted above, there is little guidance on what constitutes "minimal credit risks," the proposed amendments again leave fund boards and investment advisers with no clear standard or other guidance on when this evaluation is required under the Rule and the standards by which this evaluation should be performed. The Commission's statement in the Release that "we would expect an investment adviser to exercise reasonable diligence in keeping abreast of new information about a portfolio security that is reported in the national financial press or in publications to which the investment adviser subscribes,"⁹ although apparently intended to be tempered with the statement that "[w]e do not believe that the proposed amendments would require investment advisers to subscribe to every rating service publication in order to comply with proposal,"¹⁰ nevertheless could be read to imply a potentially boundless search for available information. We believe that the absence of any minimum, independently determined criteria for re-evaluations could, judged with the clarity of hindsight, leave boards and advisers vulnerable to allegations that any missed information should have been picked up by more diligent monitoring. In addition, the absence of rating maintenance criteria for re-evaluations could allow some funds to re-evaluate portfolio quality less frequently than is done under the current criteria, potentially allowing lower quality securities to remain in their portfolios. As with initial credit quality determinations, we believe that an independently-determined, minimum credit quality maintenance requirement operates as a useful uniform, industry-wide minimum standard for all funds.

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If you have any questions about the Boards' comments or would like any additional information, please contact me at 212.922.6161 or Lewis G. Cole, Stuart H. Coleman or David Stephens of Stroock & Stroock & Lavan LLP, counsel to the Boards, at 212.806.5400.

Sincerely,

/s/ Joseph S. DiMartino

Joseph S. DiMartino
Chairman of the Boards of the Dreyfus Family of Funds

cc: Lewis G. Cole, Esq.
Stuart H. Coleman, Esq.
David Stephens, Esq.

⁸ Rule 2a-7(c)(7), as proposed to be amended.

⁹ The Release at III. A.3, p. 13.

¹⁰ *Id.*