Invesco Aim

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September 5, 2008

VIA ELECTRONIC MAIL

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

Re: **Proposed rules regarding references to ratings of Nationally Recognized Statistical Ratings Organizations, Investment Company Act Release No. 28327, File No. S7-19-08**

Dear Ms. Harmon:

Invesco Aim Advisors, Inc. is a registered investment adviser which, along with its subsidiaries and affiliates ("Invesco Aim Cash Management"), manages and advises money market funds and other cash investment vehicles. As of July 31, 2008, Invesco Aim Cash Management had approximately $90 billion in assets under management attributable to investments in money market funds.

While we support the Commission's proposals 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 rating process[1], Invesco Aim Cash Management strongly opposes the Commission's proposal to eliminate references to credit ratings agencies in Rule 2a-7 under the Investment Company Act of 1940.[2] Invesco Aim Cash Management believes that the proposal would weaken the investment standards of Rule 2a-7, to the detriment of money market fund investors.

Since its adoption 25 years ago, Rule 2a-7 has provided the framework through which investors have been able to rely on money market funds for safety, liquidity and yield. The success of Rule 2a-7 is evidenced by the rapid growth of the money market industry, with current figures at over $3.5 trillion in assets[3]. The confidence investors derive from money

[1] *See Proposed Rules for Nationally Recognized Statistical Rating Organizations*, SEC Release No. 34-57967 (June 16, 2008).
[2] *See References to Ratings of Nationally Recognized Statistical Rating Organizations,* SEC Release No. IC-28237 (July 1, 2008).
[3] *See* Investment Company Institute, *Money Market Mutual Fund Assets* (July 10, 2008), *available at* http://www.ici.org/stats/latest/mm_07_31_08.html.

market funds lies within Rule 2a-7's requirements with regard to credit quality, maturity and diversification. As discussed more fully below, Invesco Aim Cash Management urges the Commission to maintain the rule in its current form.

Rule 2a-7 currently prohibits Undue Reliance on Ratings

In the proposing release, the stated goal for the proposal is to "reduce undue reliance on credit ratings" in order to improve the "analysis that underlies investment decisions." While we understand the Commission's concern that ratings may "adversely affect the quality of due diligence and investment analysis", we do not share the Commission's view that the proposal would alleviate such occurrences[4]. Under Rule 2a-7, money market funds must limit purchases to securities that have eligible ratings (or are of comparable quality) from the Requisite NRSROs ***and*** as are determined by the fund's board, or its delegate, to represent minimal credit risk.[5] If the Commission has identified specific instances where funds have placed undue reliance on ratings, it is our belief that the appropriate remedy is to demand that those funds, their managers and their Boards of Directors adhere to the practice of making independent minimal credit risk determinations.

Elimination of an Objective Standard will increase risk

Rule 2a-7 does not specify what securities a fund may purchase. Rather than setting forth the types of securities that a fund operating under the rule may purchase, Rule 2a-7 sets forth restrictions and requirements for each investment and for the portfolio relating to quality, diversification and maturity. With respect to quality, Rule 2a-7 currently limits the credit quality of portfolio securities to those that are Eligible Securities and present minimal credit risk. Although the determination that a security presents minimal credit risk is a subjective standard, the determination of an Eligible Security is an objective, third-party standard that provides a clear reference point for all money market fund participants to measure compliance with the rule's requirements. The NRSROs credit rating sets the "floor" for permissible money market fund investments. Invesco Aim Cash Management is concerned that by eliminating this objective standard, some money market funds may potentially invest in lower quality, higher yielding securities, based solely on the subjective credit assessment performed by a money market fund's investment adviser. We are further concerned that the elimination of an objective standard will lead to significant dispersion between money market funds' determination of "minimal credit risks" for any given security, resulting in decreased transparency and comparability for money market investors.

Monitoring requirements expose funds to second-guessing

By eliminating the objective standard with respect to monitoring the credit quality of existing portfolio investments and introducing the standard for reassessment of a security's eligibility under the rule to a *suggestion* of an adverse credit event, the proposal would require the monitoring and documentation of any information that suggests that a security may not continue to pose minimal credit risks, most of which may not be indications of a truly adverse development.[6] We are concerned that a money market fund, even if it exercised reasonable due diligence, may be exposed to potential litigation or regulatory action associated with

[4] SEC Release No. IC-28237 at 6.
[5] 17 C.F.R. §270.2a-7(3)(i)
[6] SEC Release No. IC-28237 at 21.

being second-guessed by a party that, through the benefit of hindsight, claims that a money market fund failed to respond to information that later proves to have had significant credit implications.

Introducing Subjective Standard to Downgrade Events may increase risk

Rule 2a-7 currently sets forth clear guidance with respect to the actions a money market fund must undertake when negative events affect a portfolio's security[7]. If adopted, the proposal would introduce a subjective standard. Accordingly, we are concerned that an advisor may feel compelled to justify the continued investment in a holding that has become subject to a negative event but that offers an attractive yield thereby increasing the potential risk to money market investors.

NRSRO Ratings should be maintained

NRSRO ratings, although imperfect at times, provide a clear and discernible threshold below which investments may not be made. By eliminating this threshold and replacing it with a subjective standard -one that may vary from fund to fund- the Commission would be hindering the effectiveness of Rule 2a-7's ability to protect investors. We urge the Commission to retain NRSRO ratings as an integral component of Rule 2a-7.

Invesco Aim Cash Management appreciates the opportunity to comment on the proposal. If you have any questions about our comments or would like additional information, please contact me at (713) 214-4169.

Sincerely,

J.G. Lallande
Counsel
Invesco Aim Advisors, Inc.

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[7] 17 C.F.R. §270.2a-7(6)

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