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December 3, 2010

David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Investment of Customer Funds (RIN 3038-AC15)

Dear Mr. Stawick:

The Investment Company Institute ("ICI")[1] appreciates the opportunity to comment on the Commodity Futures Trading Commission's proposed changes to Regulation 1.25 under the Commodity Exchange Act ("CEA"). Regulation 1.25 provides that a futures commission merchant (FCM) or derivatives clearing organization ("DCO") holding customer segregated funds may invest those funds in certain "permitted investments," subject to specified requirements designed to minimize exposure to credit, liquidity, and market risks.[2] Our comments focus on the proposed changes concerning the treatment of money market funds as a "permitted investment" for these purposes.

As discussed below, ICI strongly believes that money market funds continue to represent investments "consistent with the objectives of preserving principal and maintaining liquidity," as required by Regulation 1.25. Indeed, recent enhancements to money market fund regulation make money market funds even more appropriate as "permitted investments" for FCM or DCO customer

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[1] The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $12.33 trillion and serve over 90 million shareholders.

[2] *See* Investment of Customer Funds and Funds Held in an Account for Foreign Futures and Foreign Options Transactions, CFTC, 75 FR 67642 (November 3, 2010) ("Proposing Release"). In addition to the proposed changes to Regulation 1.25, the Commission is proposing to apply the investment requirements of Regulation 1.25 (as amended) to the treatment of customer property associated with positions in foreign futures and foreign options under Regulation 30.7. ICI believes this is a sensible approach. For simplicity, the remainder of our letter refers only to Regulation 1.25.

funds. We further believe that the proposed new limitations on investments in money market funds under Regulation 1.25 are arbitrary and unduly severe. The practical effects of these limitations would be to require FCMs and DCOs to manage the vast majority of a portfolio of permitted investments themselves, and potentially to expose customer funds to greater credit, liquidity and/or price risk. We urge the Commission to reconsider the proposed limitations in light of the actual risks posed by money market funds as compared to the other "permitted investments."

Background

Section 4d(a)(2) of the CEA limits the investment of customer segregated funds to obligations of the United States, obligations fully guaranteed as to principal and interest by the United States, and general obligations of any State or any political subdivision thereof. Regulation 1.25 expands the list of permitted investments to include government sponsored enterprise ("GSE") securities, bank certificates of deposit, commercial paper, corporate notes, general obligations of a sovereign nation, and shares of money market funds. Except for money market funds, these additional permitted investments must also satisfy the certain credit rating requirements.

The Commission now proposes to remove from the investments permitted by Regulation 1.25 GSE securities not backed by the full faith and credit of the United States, corporate debt obligations not guaranteed by the FDIC, foreign sovereign debt, and in-house transactions.[3] The proposed reforms also would seek to promote greater diversification by limiting the customer funds invested in any one class of assets (other than U.S. government securities) and extending "issuer-based" concentration limits to money market funds and repurchase agreement counterparties.[4]

More specifically, with respect to money market funds, the Commission proposes to apply an asset-based concentration limit of 10% of total assets held in segregation. The Commission also proposes to restrict investments in any family of money market funds to 2% of total assets held in segregation. Taken together, these proposed limits would be the most restrictive ones on any class of permitted investments.

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[3] In addition, the Commission proposes to remove all credit standards from Regulation 1.25 (apart from requiring United States or FDIC guarantees of certain investments). This proposed change responds to Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires federal agencies to amend their regulations to reduce their reliance on credit ratings.

[4] The Commission also proposes to shift from a "readily marketable" to a "highly liquid" standard for the liquidity of permitted investments.

The Commission based its proposal, in part, on comments received in response to an advance notice of proposed rulemaking issued last year.[5] The Commission issued the Notice in response to the financial crisis, "notably the failures of certain government sponsored enterprises, difficulties encountered by certain money market mutual funds in honoring redemption requests, illiquidity of certain adjustable rate securities, and turmoil in the credit ratings industry, [which] have challenged many of the fundamental assumptions regarding investments."[6] Nevertheless, comments on the Notice—including ICI's—overwhelmingly supported continuing to include money market funds as "permitted investments" under Regulation 1.25.[7]

According to the Proposing Release, the Commission is mindful that customer segregated funds must be invested in a manner that minimizes their exposure to credit, liquidity, and market risks both to preserve their availability to customers upon demand and to enable these assets to be quickly converted to cash at a predictable value to minimize systemic risk. Indeed, to accomplish these goals, Regulation 1.25 establishes a general prudential standard requiring that all permitted investments be "consistent with the objectives of preserving principal and maintaining liquidity." Money market funds are particularly well suited for holding customer funds because their investment objectives correspond exactly to Regulation 1.25's prudential standard.

Recent Enhancements to Money Market Fund Regulation Strengthen the Basis for Including Money Market Funds as Permitted Investments

ICI's comment letter in response to the Notice described in detail the regulation of money market funds under the federal securities laws, including most notably the Investment Company Act of 1940 and Rule 2a-7 under that Act.[8] Our letter also discussed the success of money market fund regulation over time and the response of money market funds to the financial crisis in 2008. We will not reiterate these points here, as the Proposing Release reflects some consideration of our earlier comments. It is essential, however, to review how reforms recently adopted by the Securities and Exchange Commission ("SEC")[9] have made money market funds even more "consistent with the objectives of preserving principal and maintaining liquidity."

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[5] *See* Investment of Customer Funds and Funds Held in an Account for Foreign Futures and Foreign Options Transactions, CFTC, 74 FR 23962 (May 22, 2009) ("Notice").

[6] Notice, 74 FR at 23963.

[7] *See* Letter from Karrie McMillan, General Counsel, ICI, to Mr. David A. Stawick, Secretary, CFTC, dated July 21, 2009, available at http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/frcomment/09-006c005.pdf. No commenters supported removing money market funds as "permitted investments."

[8] *Id.*

[9] *See* Money Market Fund Reform, SEC Release No. IC-29132, 75 FR 10060 (Mar. 4, 2010).

For example, with respect to the objective of preserving principal, the SEC has reduced the maximum dollar-weighted average maturity ("WAM") permitted by Rule 2a-7 from 90 days to 60 days. As a result, as shown in the following table, 60 percent of all money market funds have a WAM of 45 days or less. In contrast, more than half of all money market funds had a WAM of greater than 45 days as of December 2009, before funds were required to comply with the changes to Rule 2a-7.

Percent of Taxable Money Market Funds by Weighted Asset Maturity for Selected Dates			
WAM	**8/31/2008**	**12/31/2009**	**9/30/2010**
under 5 days	2%	1%	1%
5 to 10 days	2%	1%	3%
11 to 15 days	2%	1%	1%
16 to 20 days	4%	1%	2%
21 to 25 days	4%	3%	8%
26 to 30 days	11%	9%	6%
31 to 35 days	4%	9%	11%
36 to 40 days	7%	11%	12%
41 to 45 days	15%	13%	15%
46 to 50 days	15%	15%	22%
51 to 55 days	12%	15%	13%
56 to 60 days	12%	10%	5%
61 to 65 days	2%	4%	0%
66 to 70 days	2%	4%	0%
71 to 75 days	2%	3%	0%
>75 days	3%	3%	0%

The SEC's rule changes also imposed a new 120-day limit on a money market fund's weighted average life ("WAL").[10] All money market funds now are subject to a uniform limit of 3% on the Acquisition of Second Tier Securities, with not more than 0.5% of Total Assets permitted in any issuer of Second Tier Securities. In addition, the SEC has reinstituted diversification requirements for all

[10] WAL is the weighted average maturity calculated without reference to interest rate adjustments to Floating and Variable Rate Securities. (*See* Rule 2a-7(a) for definitions of other capitalized terms used in discussing money market fund regulation.) Although some funds previously used WAL as a best practice, the SEC required use of this measurement for the first time in its recent rule amendments.

repurchase agreements not secured by Government Securities and requires funds to determine the creditworthiness of every counterparty.

Amended Rule 2a-7 also requires funds to conduct periodic stress tests and report the results to their boards of directors. These stress tests quantify the changes in interest rates, spreads, credit ratings and redemptions that could cause a money market fund no longer to maintain a stable share price. The stress tests improve the directors' ability to oversee and manage the risks taken by their funds.

With respect to maintaining liquidity, amended Rule 2a-7 requires money market funds to have procedures for assuring that they maintain adequate liquidity to meet reasonably anticipated redemptions. These procedures must include "know your customer" measures for gauging the liquidity risks posed by individual shareholders or types of shareholders. Also, 10% of a money market fund's portfolio must consist of Daily Liquid Assets (Treasury securities and securities that may be repaid within one business day) and an additional 20% must consist of Weekly Liquid Assets (short-term government agency discount notes and securities that must be repaid within five business days).[11] Further, a fund may not invest more than 5% of its portfolio in Illiquid Securities. The SEC also amended Rule 17a-9 under the Investment Company Act to permit affiliated persons of a money market fund to provide liquidity by purchasing portfolio securities for the higher of their amortized cost or market value.

The SEC has increased the transparency of money market funds by requiring them to provide updated portfolio information on their websites as of the end of each month. In addition, each month funds must file with the SEC new Form N-MFP, which contains detailed information about the fund and its portfolio. The information provided in Form N-MFP becomes publicly available 60 days after the end of the month covered by the report.

Finally, as noted in the Proposing Release, the SEC has adopted new Rule 22e-3, which allows the board of directors of a liquidating fund to suspend redemptions. This rule will help assure a fair and orderly resolution of any fund that can no longer maintain a stable NAV. Shareholders in a liquidating fund will receive pro rata distributions of cash as rapidly as the portfolio can be liquidated. Even in adverse market conditions, this should not be an extended period, given the limitations on a fund's WAM and WAL and the required levels of Daily and Weekly Liquid Assets.

All of the foregoing requirements are already in effect, except the requirement to file Form N-MFP; first filings must be made by December 7, 2010. The cumulative effect of these reforms has been to improve meaningfully the safety and liquidity of money market funds, making money market funds even more appropriate for holding FCM or DCO customer funds.

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[11] Due to the scarcity of Daily Liquid Assets that qualify for federal income tax exemptions, tax exempt funds are required to invest 30% of their Total Assets in Weekly Liquid Assets, with no separate requirement for Daily Liquid Assets.

The Proposing Release states that eleven of the twelve letters the Commission received in response to the Notice "supported maintaining the current list of permitted investments and/or specifically insuring that [money market funds] remain a permitted investment."[12] These comments pre-dated the SEC's adoption of the amendments to Rule 2a-7 discussed above. In light of the enhancements to the safety and liquidity of money market funds made by the SEC reforms, there should be no question as to the continued appropriateness of money market funds as permitted investments.

FCMs and DCOs Should Not Be Required to Manage Customer Funds Themselves

Under Regulation 1.25, all customer segregated funds are ultimately invested in an investment portfolio. The portfolio may be held directly in an account established by the FCM or DCO, or indirectly through investments in money market funds. In the first case, the FCM or DCO must either manage the portfolio itself or hire an investment adviser. In the second case, the fund's professional investment adviser manages the portfolio.

The proposed 10% asset-based concentration limit for money market funds will effectively require FCMs and DCOs to manage at least 90% of their customer segregated funds themselves.[13] As a result of this limit and other proposed changes to Regulation 1.25, these customer funds likely would be invested in portfolios consisting largely of Treasury securities, with some portion potentially allocated to bank certificates of deposit and municipal securities. Investments in bank CDs and municipal securities will require careful and detailed credit and liquidity analysis because they involve interest rate and liquidity risks. Thus, these investments call for asset management skills that FCMs and DCOs may not have.

Even a portfolio of securities backed by the full faith and credit of the United States must be properly structured to limit interest rate risks and provide liquidity.[14] Under the Commission's proposal, Regulation 1.25 would permit an FCM or DCO to invest customer segregated funds in a self-managed portfolio of Treasury securities having a WAM of two years and with no restrictions as to the final maturity of individual securities. The following chart illustrates the relative volatility of two-year

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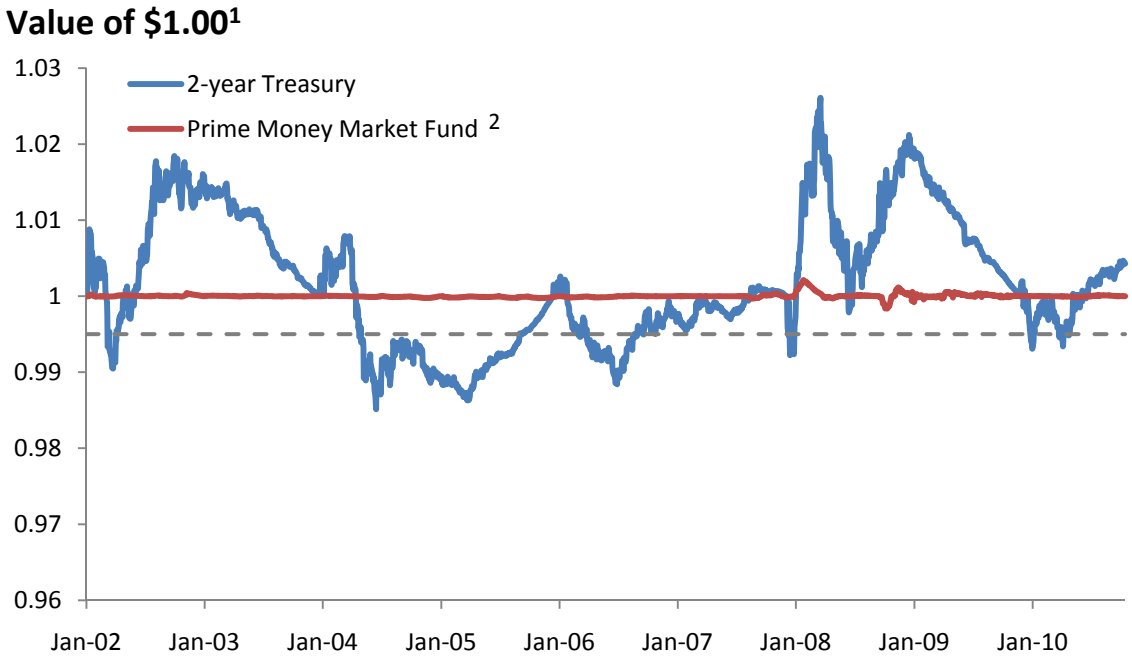
[12] Proposing Release, 75 FR at 67643. Our review of the comments at http://www.cftc.gov/LawRegulation/FederalRegister/CommentFiles/09-006.html shows that there were eleven commenters, none of whom opposed continuing to include money market funds as permitted investments.

[13] Further, the proposed 2% issuer-based concentration limit will require FCMs and DCOs to research at least five separate fund families to invest the remaining 10% in money market funds. Given these limits, it is reasonable to expect that many FCMs and DCOs will forgo money market funds altogether, and do the best they can on their own.

[14] Management of municipal securities also would require assessments of interest rate and liquidity risks. Permitted investments that must be redeemable within one business day (money market funds and bank CDs) would not present these risks.

Treasury notes as compared to the shadow price of a hypothetical prime money market fund that constantly maintains the maximum WAM permitted by Rule 2a-7.



[1] Data indicates the market value of $1 invested in a fund containing 2-year Treasury notes, and a prime money market fund. Assumes all securities within each fund are held to maturity, and interest is not re-invested.
[2] The prime money market fund is composed of: 10% overnight repurchase agreements, 20% 7-day asset-backed commercial paper, 15% 60-day asset-backed commercial paper, and 55% 90-day asset-backed commercial paper. The maximum weighted-average maturity of the fund is 60 days.
Source: ICI and Bloomberg

The chart illustrates the substantially greater market risk represented by a two-year Treasury note as compared to the "riskiest" form of money market fund.[15] Even though the ultimate repayment of a Treasury note's principal is backed by the full faith and credit of the United States, no one is obligated to pay the amount before the note's maturity. Consequently, there is no assurance that a Treasury note can be sold for its principal amount before maturity.

In contrast, money market funds rely more on the maturity of their portfolio than the secondary market for liquidity. Rule 2a-7 requires money market funds to be able to recover 30% of the

[15] As shown in the previous table, most money market funds maintain WAMs well below 60 days, so the chart exaggerates the volatility of an average prime money market fund.

principal amount of their portfolios within seven days. In addition, to comply with Rule 2a-7's limitations on a portfolio's WAM and WAL, the remaining securities must have such short maturities that any buyer would recover the principal amount of the security within a relatively short period of time. These restrictions help assure that the market value of the portfolio does not deviate significantly from the principal amount invested.

Some FCMs and DCOs are large enough to have their own staffs that can perform the credit, liquidity, and other market analysis and asset management functions necessary to manage a portfolio of "permitted investments." Others might be able to afford to retain an adviser to manage their portfolio separately. Nevertheless, for many FCMS and DCOs, the most efficient means of obtaining professional cash management of their customer funds is to invest in money market funds. Money market funds give their shareholders the benefits of professional credit and market analysis that many shareholders could not obtain on their own. In addition, because they are significant participants in the short-term credit markets, money market funds provide their shareholders with better investment opportunities and trade execution than most shareholders could obtain on their own. Scale economies permit money market funds to provide these services at a relatively low cost.

Setting limits that force FCMs and DCOs to "go it alone," regardless of the degree of their experience in cash management or the cost involved, cannot help to protect their customers' funds—which is the ultimate objective of Section 4d and Regulation 1.25. In fact, money market funds may present the lowest potential risks of any of the investments that proposed Regulation 1.25 would permit.

The Proposing Release requests comment on whether permitted money market fund investments should be limited to Treasury money market funds or funds whose portfolios consist solely of other permitted investments. We believe that such limitations would be unduly restrictive given the minimal risks of money market funds.

Regulation 1.25 Should Not Treat Money Market Funds as the Least Favored Asset Class

As proposed, Regulation 1.25 would permit an FCM or DCO to invest all of its customers' funds in a self-managed portfolio of U.S. Treasury securities and repurchase agreements for Treasury securities with a WAM of two years. In contrast, it would permit investment of only 10% or less of customer segregated funds in professionally managed money market funds with a portfolio consisting of the same instruments with a WAM of less than 60 days. The proposed asset-based concentration limit effectively treats a portfolio of permitted investments as taking on additional risks when held by a money market fund. This treatment is not justified.

Money market funds, like all mutual funds, pass through the returns (after payment of fund fees and expenses) from their portfolios to their shareholders. Money market funds do not borrow for investment leverage and cannot issue securities senior to their common shares. At least ninety-five

percent of a money market fund's portfolio must consist of liquid securities. In short, nothing in the structure of a money market fund adds to the risk of the underlying portfolio.

The proposed treatment of money market funds may reflect a concern that redemptions by other shareholders could impair the liquidity of shares held by FCMs or DCOs. This concern fails to take into account, however, Rule 2a-7's new requirement that money market funds maintain sufficient liquidity to meet anticipated redemptions, including Daily and Weekly Liquid Assets comprising nearly a third of the portfolio. More importantly, the concern fails to recognize that any market conditions that might impair a money market fund's liquidity also will affect direct investments made by FCMs and DCOs. For example, suppose that circumstances were such that the manager of a Treasury money market fund—whose full-time occupation and expertise is dealing in short-term Treasury securities—could not sell securities to meet redemptions. In those extremely remote circumstances, it is unlikely that an FCM or DCO would have any more success in selling Treasury securities (many of which would probably be more volatile due to their longer terms) to provide liquidity to its customers.

ICI and its members appreciate that the Commission intends to simplify Regulation 1.25, as well as enhance its safety and liquidity standards. Having FCMs and DCOs "look through" to the underlying portfolios of money market funds for asset concentration purposes would not accomplish this goal and, in any event, would be unduly complex. We therefore recommend that money market funds be classified based on their risk relative to other classes of permitted investments. As illustrated above, even the underlying value of a prime money market fund is generally much less volatile than a portfolio of Treasury securities with a WAM of two years. Given the minimal risks of money market funds, the Commission would be justified in not subjecting money market funds to *any* asset-based concentration limits. At a minimum, there is no reason to subject Treasury funds to any concentration limits.[16]

With respect to non-Treasury funds, if the Commission determines to impose concentration limits on these funds, they should be higher than the limits imposed on bank CDs. The proposed amendments to Regulation 1.25 would not impose any quality requirements on bank CDs. In contrast, pursuant to Rule 2a-7, money market fund portfolios must consist entirely of high quality investments determined to present minimal credit risks. This is one reason why instances of money market funds

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[16] If the Commission determines to differentiate between Treasury and other money market funds, we recommend that the Commission define Treasury funds for purposes of Regulation 1.25 by reference to Rule 35d-1 under the Investment Company Act. Rule 35d-1 requires a fund that includes "U.S. Treasury Securities" in its name to have a policy of investing at least 80% of the value of its assets in Treasury securities or repurchase agreements for Treasury securities. Although not all Treasury funds use the term "Treasury" in their names, most do. If Regulation 1.25 were to require Treasury funds to invest a greater percentage of their assets in Treasury securities, the regulation would severely limit the number of Treasury funds available to FCMs and DCOs. The 20% of a Treasury fund's portfolio that may be invested in non-Treasury securities must still comply with the requirements of Rule 2a-7, thus minimizing risks while helping the fund remain fully invested when the supply of Treasury securities is limited.

"breaking the buck" have been rare. Their track record certainly compares favorably to that of bank CDs—on most weekends this year the FDIC has closed more banks than the total number of money market funds that have ever "broken a dollar."[17] Given the relative risks of money market funds and bank CDs, there is no justification for subjecting funds to the same concentration limits as bank CDs, and certainly no justification for subjecting funds to stricter limits, as the proposed amendments would do.[18]

Money Market Funds Do Not Require Issuer-Based Concentration Limits

As mentioned above, the Commission is proposing to limit investments by FCMs and DCOs in money market funds under Regulation 1.25 to 2% in any family of funds. As justification for this requirement, the Proposing Release indicates that the Commission "believes that it is prudent to require FCMs and DCOs to diversify their [money market fund] portfolios."[19]

The average money market fund is more diversified than the portfolios of bank CDs or municipal securities that FCMs or DCOs would be permitted to hold under the proposed amendments to Regulation 1.25. Except for Government Securities and repurchase agreements Collateralized Fully by Government Securities, Rule 2a-7 limits the amount that a money market fund may invest in the securities of any First Tier issuer to 5% of the fund's Total Assets. In practice, most funds stay well below this limit for most of their portfolio.

Moreover, imposing concentration limits on money market fund families will be ineffective to achieve the desired objective. Every money market fund is managed on an individual basis and will not necessarily share risks with other money market funds managed by the same adviser. For example, a Treasury or tax exempt fund will hold completely different securities than a prime fund, even if they share the same investment manager. Requiring FCMs or DCOs to acquire a Treasury fund from a fund family because their holdings of another family's prime fund had reached an individual concentration limit would not enhance the safety or liquidity of their investments in any material respect.[20]

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[17] *See* http://www.fdic.gov/bank/individual/failed/banklist.html. Only two money market funds have broken a dollar.

[18] For similar reasons, tax exempt funds should not be subject to the same concentration limits as municipal securities. The limits on municipal securities appear to reflect concerns about their volatility and liquidity. *See* Proposing Release, 75 FR at 67648. In order to comply with Rule 2a-7 limitations on WAM and WAL, however, tax exempt funds must invest a majority of their portfolios in municipal securities with features giving funds the option to put the securities to a high quality bank or a comparable liquidity provider. These "demand features" assure that these municipal securities have liquidity comparable to any bank CD payable upon demand.

[19] Proposing Release at 67649.

[20] Also, as noted above, requiring FCMs and DCOs to research multiple fund families and monitor up to five funds, each of which will represent—at most—one-fiftieth of their portfolio, may discourage the use of money market funds altogether.

A limitation on the amount that an FCM or DCO can invest in any individual money market fund would avoid this flaw but will not necessarily increase diversification either, given that the portfolios of similar types of money market funds often have common holdings. For example, most prime money market fund portfolios include the largest and highest quality issuers. Thus, limiting investments in individual funds will have a marginal effect on the diversification of underlying credit risks.

To the extent that individual concentration limits are intended to diversify market and liquidity risks, the Commission should appreciate that adverse market conditions probably would affect all funds. Unanticipated interest rate changes would affect all interest bearing securities. Similarly, if certain types of securities become illiquid, all funds will experience the same difficulty selling such securities. Therefore, individual fund or fund family concentration limits will do little to mitigate these risks.

The Proposed Modifications to the Next-Day Redemption Requirement Are Appropriate

Regulation 1.25 requires that money market funds be legally obligated to honor redemption requests by the business day following receipt of a redemption request, subject to enumerated exceptions.[21] The Commission proposes to amend Regulation 1.25 so that the exceptions to its redemption requirements correspond more closely to the circumstances described in Section 22(e) of the Investment Company Act and new Rule 22e-3.[22] ICI supports these proposed amendments.

Regardless of the type of permitted investments, an FCM or DCO cannot have any absolute assurance that it will be able to recover its customers' funds within one business day. In the case of a bank failure, even if the bank is transferred to another bank or bridge bank, the FDIC is permitted to delay payments by one day. As the Proposing Release notes, the timing of payments under FDIC insurance and guarantees is uncertain.[23] Even payments on Treasury securities may be delayed by events that cause the Fedwire to go down or close trading in the bond markets.

Money market funds are different from other permitted investments only insofar as they are required to disclose the circumstances in which redemption payments may be delayed. Their disclosure

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[21] Although it is logical to conclude that the Commission does not intend for any of these permitted exceptions to prevent a money market fund from complying with the "highly liquid" standard proposed for Regulation 1.25, given that money market funds are not subject to the current "readily marketable" requirement, it would be helpful if the Commission could indicate that money market funds that comply with the one-day redemption requirements of Regulation 1.25 are also "highly liquid" as defined by the regulation.

[22] As discussed earlier in this letter, Rule 22e-3 addresses the orderly liquidation of a money market fund that can no longer maintain a stable NAV.

[23] *See* 75 FR 67648.

does not make these circumstances any more probable than the circumstances that could delay payments on other permitted investments.

The Proposing Release requested comments on whether changes in the settlement mechanisms for tri-party repurchase agreements might affect the ability of money market funds to pay redemptions. The proposed changes, which have not been fully implemented, would allow sellers in tri-party repurchase agreements to repurchase the underlying securities later in the afternoon. Previously, such sellers would repurchase securities in the morning using funds borrowed from their clearing banks.

The proposed settlement changes should not adversely affect a money market fund's ability to pay redemptions by the end of each day. The settlement terms currently under discussion would still require repurchases to occur while the Fedwire system is open, so funds could transfer the proceeds to their transfer agents to cover daily redemptions. Therefore, there is no reason to expect the new settlement process for tri-party repurchase agreements to disrupt the orderly settlement of fund redemptions.

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If you have any questions regarding our comments, please feel free to contact me directly at (202) 326-5815 or Frances Stadler, Deputy Senior Counsel, at (202) 326-5822.

Sincerely,

/s/ Karrie McMillan

Karrie McMillan
General Counsel

cc: The Honorable Gary Gensler, Chairman
The Honorable Michael V. Dunn, Commissioner
The Honorable Jill E. Sommers, Commissioner
The Honorable Bart Chilton, Commissioner
The Honorable Scott D. O'Malia, Commissioner