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January 10, 2011

*Submitted Electronically*

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

**RE: President's Working Group Report on Money Market Fund Reform Options  
File Number 4-619**

Dear Ms. Murphy:

Wells Fargo Funds Management, LLC appreciates the opportunity to comment on the options discussed in the report presenting the results of the President's Working Group on Financial Markets' study of money market fund reform options (the "PWG Report"). The PWG Report addresses possible reform options that might mitigate money markets' susceptibility to extensive redemption activity.

Subsidiaries of Wells Fargo & Company ("Wells Fargo") advise and distribute the *Wells Fargo Advantage Funds*. As of December 31, 2010, the *Wells Fargo Advantage Funds* had a total of approximately \$230 billion in assets under management across a broad spectrum of investments. Our fund family offers a diverse set of money market funds across multiple distribution platforms that include retail and institutional investors. Assets under management in our advised money market funds total approximately \$145 billion as of December 31, 2010, making Wells Fargo one of the ten-largest U.S. money market mutual fund providers in the industry.

We agree with the President's Working Group (the "PWG") that the recent amendments to Rule 2a-7 under the Investment Company Act of 1940 adopted in January 2010 were an important first step in mitigating systemic risk, and commend the additional efforts undertaken to analyze certain other features of money market funds that could contribute to their susceptibility to significant redemption activity. In managing the *Wells Fargo Advantage Funds*, our security selection process emphasizes conservative investment choices and all of our money market funds maintain an approach to investing that prioritizes the preservation of capital and liquidity. We are pleased to share with the Commission our thoughts on the various options presented in the PWG Report.

I. *Background*

It is critical to preserve the structural integrity of money market funds as they have long played an important role in our nation's economy, providing both retail and institutional investors with a liquid and stable investment option, while at the same time providing a vital source of funding to businesses and municipalities. Money market funds also contribute to the health of the broader financial system. The

most recent market dislocation that occurred in 2007-2008 and the resultant run on prime money market funds highlighted their susceptibility to market dynamics and exacerbated strains in the short-term funding markets.

While we support some of the options presented in the PWG Report with certain modifications, we do not view any of the options presented, whether implemented individually or in combination, as a means to entirely eliminate systemic risk or the risk to money market funds of extreme redemption activity. However, we do believe that certain of the options discussed have the potential to further the resiliency of money market funds to certain market stresses.

## II. *Importance of Maintaining Stable Net Asset Value Funds*

We believe it is critical to preserve the availability of stable value money market funds. While we do not oppose the idea of establishing money market funds with floating net asset values (as discussed in more detail below in Section VI), we do not support the wholesale replacement of money market funds that seek to price their shares at a stable \$1.00 net asset value.

Stable net asset value funds (“SNAV Funds”) have long been a key element in the appeal of money market funds to investors by providing stability of principal and daily access to funds, while offering a competitive yield. While we understand the PWG’s concern that SNAV Funds have been perceived by some as risk free, it is unclear whether their replacement by variable net asset value funds (“VNAV Funds”) would do much to stem the concerns of investors who seek to redeem their shares from money market funds during periods of market stress. It is likely that any significant drop in per share net asset value would result in unusually heavy redemptions by both retail and institutional investors, regardless of whether they are invested in a SNAV Fund or a VNAV Fund. This seems to be supported by the experience of “stable value funds” with floating per share net asset values, which suffered substantial net outflows from mid 2007 through year-end 2008.

SNAV Funds serve as credit intermediaries in the financial markets by providing critical short-term funding to high quality businesses, financial institutions, and state and local governments while also providing investors with a vehicle to facilitate their cash management needs. Early indications are that investors’ reaction to the elimination of SNAV Funds is not favorable<sup>1</sup>, so we feel it is important to address some of the more significant ramifications that could likely result from their elimination.

First, it is possible that the elimination of SNAV Funds could result in certain investors seeking other cash management alternatives that are less regulated, a result that seems to directly contradict the overall goal of the PWG. A money market fund’s actual risk profile would not change merely by switching from a SNAV to a VNAV share price calculation methodology. It can be argued that the per share net asset value of a VNAV Fund may be more stable than that of an SNAV Fund in times of rising rates and/or widening credit spreads that are accompanied by shareholder redemptions. Nonetheless, investors may perceive a VNAV Fund as presenting greater risk. Investors that had originally sought the relative safety and share price stability associated with SNAV Funds might view VNAV Funds, given the variability of their NAVs, as being too risky for their short-term cash needs and seek to shift their assets to other unregulated or less regulated cash management alternatives. The potential movement into these vehicles may cause significant market disruption to the short-term credit markets, as it is not clear that

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<sup>1</sup> See, e.g. Comment Letters from James B. Lewis, National Association of State Treasurers and Anthony J. Carfang, Partner, Treasury Strategies, Inc. at <http://www.sec.gov/comments/4-619/4-619.shtml> and “Opposition to Floating NAV,” *Financial Times*, 9 January 2011.

alternative cash management vehicles will be providers of the short term funding that businesses and municipalities desire. Furthermore, certain of these vehicles take on more duration and credit risk than money market funds and, as a result, may pose even greater systemic risks than money market funds currently do.

Another factor in the need to maintain SNAV Funds is the existence of certain investors who would face functional obstacles to placing assets in VNAV Funds. A VNAV Fund may create taxable gains and losses with each subscription and redemption, resulting in significant tax and accounting burdens for individual investors and institutions that use these funds on a daily basis for their working capital. Other investors, such as corporate cash managers, municipalities and trustees, may face hurdles, be it from governing investment guidelines or fiduciary standards that may prevent them from investing in anything but a stable value money market fund.

Finally, the potential elimination of SNAV Funds has far reaching implications for retail investors. The complexity associated with taxable recognition of small gains and/or losses will undermine the convenience achieved by the SNAV Fund structure. Furthermore, bank and brokerage sweep platforms, through which retail shareholders across the industry hold a significant portion of money market fund assets, are currently not equipped to handle VNAV products. It is likely that the operational and technology costs needed to support such a product would force most, if not all, sweep providers to replace money market funds with other liquidity options.

### III. *Private Emergency Liquidity Facility for Money Market Funds*

We believe that a backstop liquidity facility for money market funds is a desirable objective, recognizing that money market fund access to central bank funding through the Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (“AMLF”) was instrumental in halting the run on prime money market funds in 2008. The liquidity facility should be constructed and used in a manner that would prohibit money market funds from using borrowed funds for leverage or purposes other than meeting shareholder redemptions.

While we believe that direct access to borrowing from the Federal Reserve through a mechanism similar to its discount window for banks is the most straightforward means of achieving this objective, we appreciate the desire expressed in the PWG Report that money funds should seek liquidity first from private sources. For this reason, we would be supportive of a collateralized liquidity facility which would provide liquidity to money market funds from a syndicate or consortium of banks through temporary loans collateralized by fund assets. We also appreciate the expressed concern that borrowing by money market funds to meet shareholder redemptions might leverage the credit risk on the remaining shareholders. For this reason, despite our conclusion that a collateralized liquidity facility is more desirable, we would be receptive to a private liquidity facility, but with several important caveats.

First, we feel that it is important that sponsors of all participating funds be treated equally. As part of the broad agreement on capital and liquidity, Basel III, reached by the Group of Governors and Heads of Supervision at their meeting in September 2010, banks subject to supervision under this agreement will need to account for such things as contingent funding obligations associated with stable value managed funds in their Liquidity Coverage and Net Stable Funding Ratio calculations and hold liquid assets, stable funding, or capital accordingly. While the final rules need to be developed and are subject to the discretion of National Supervisors, the risks to the financial system posed by these obligations are the same irrespective of whether the sponsorship of the stable value fund is from a bank or non-bank. As a

result, it would be reasonable for the liquidity facility to incorporate and adopt a consistent set of rules for bank and non-bank participants as regulatory rulemaking develops with respect to Basel III.

While the ability to sell securities to the liquidity facility would mean that the credit risk of those securities is no longer borne by the selling fund and its remaining shareholders, the risk is simply transferred to the liquidity facility. This could heighten the risk of contagion should a security sold to the liquidity facility default or become otherwise impaired since the investing public will be aware that other funds have a financial interest in the liquidity facility.

We would caution that if the structure of the liquidity facility calls for it to raise assets by seeking deposits in the wholesale funding market, this would likely leave the liquidity facility susceptible to the same systemic risks that face other banking institutions. Since it is unlikely that the liquidity facility would have a retail client base, it would be totally dependent on the wholesale funding markets. Further, it is not clear that the liquidity facility, on a standalone basis would be of sufficient credit quality such that it would be able to secure its funding on a long-term basis at a reasonable cost, especially since the assets of the liquidity facility are intended to exist in normal times of exclusively short-term U.S. Government securities. This might leave the liquidity facility wholly dependent on short-term, wholesale funding and would itself be vulnerable to a run.

There are many challenges to be faced in the design of a liquidity facility, including governance issues, a fair allocation of responsibility for the initial capital contribution and on-going commitment fees, the disposition of the capital of the bank in the event of a wind down, and the fact that because of its size, the liquidity facility would only be able to address the liquidity needs of a very limited number of funds and would not be able to meet the needs of the entire industry in the event of a run. In that event, only the resources of a central bank would be large enough. Yet, despite these drawbacks, we find the concept of back up liquidity to be attractive were it to be structured in a way that could successfully address these challenges.

#### IV. *Mandatory Redemptions in Kind*

We do not support the option of requiring money market funds to distribute large redemptions by institutional investors in-kind, rather than in cash. While it is true that requiring such shareholders to receive their redemptions in-kind would force them to bear their own liquidity costs and reduce the pressure on shareholders who remain in the fund, we do not believe, for reasons discussed in more detail below, that the practical effect of such a policy would meet the goal of reducing a shareholder's incentive to redeem during a crisis.

Large shareholders who would be subject to such a policy would likely attempt to find means by which to circumvent it and still continue to receive their redemptions in cash. For example, if the policy required a shareholder to receive their redemption in-kind based on a percentage of the fund's assets redeemed in any one day, such shareholder would likely stage their redemptions to fall under any established minimum threshold in order to avoid in-kind distributions. Similarly, large investors might invest in multiple funds in order to remain below the threshold for redemptions in-kind and, instead enter multiple sell orders through different funds in order to receive the proceeds of their redemptions in cash.

There are also a number of operational concerns associated with requiring certain redemptions to be made in-kind. A fund may hold securities that are not freely transferable, which would create difficulties in providing a redeeming shareholder that is required to receive their redemption in-kind a

pro-rata slice of the fund's portfolio. As a result, the redeeming shareholder would receive the fund's most liquid assets, a clearly undesirable and unfair result to shareholders who remain in the fund. Another unintended consequence of such a policy would be a situation where the redeeming shareholder received their pro-rata share of restricted securities (e.g., Rule 144A securities) held by the fund. This would be highly problematic for a shareholder who is not a qualified institutional buyer eligible to hold such securities.

Overall, requiring certain shareholders to receive redemptions in-kind, while operationally challenging, might temporarily alleviate liquidity stresses on individual funds, but clearly not on the market as a whole. In a true run scenario where money market funds are inundated with small shareholders all seeking to sell at once, this option would do little to alleviate liquidity stresses on individual funds or the market as a whole.

#### V. *Insurance for Money Market Funds*

We agree that the Treasury's Temporary Guarantee Program for Money Market Funds was instrumental in slowing the run on prime money market funds in 2008. For this reason it would seem that the adoption of some sort of insurance program could be helpful in stabilizing fund net asset values and preventing a run in the future. This insurance would either have to be from private sources or a publically mandated fund akin to the FDIC insurance program. Unfortunately, our analysis would indicate that neither alternative is viable or practical.

Private insurance is not a new development for the money market fund industry and has been utilized and explored in the past. The concept never gained broad acceptance due largely to economics and impracticality. Previously explored avenues for money market fund insurance included coverage provided by traditional insurance companies as well as monoline or financial guaranty insurance providers. Today, private insurance continues to be an impractical solution to ensuring a stable \$1.00 per share net asset value and stemming run risk in money market funds, perhaps even more so than in the past.

The concept of money market fund insurance gained considerable steam in the late 1990s following a default wherein certain fund sponsors were forced to purchase securities from their money market funds in order to support the \$1.00 NAV.<sup>2</sup> Following this, the money market fund industry invested considerable time and money in further exploring private insurance for money market funds.

Evidencing such were efforts put forth by the Investment Company Institute in late 1997 to establish a money market insurance product via ICI Mutual Insurance Company ("ICI Mutual"). What ICI Mutual found was that traditional insurance companies were unlikely to be active marketers of the product given the positions of certain state regulators who deemed the product more appropriate for a financial guaranty company. In response, ICI Mutual sought to partner with Asset Guaranty Insurance Company, a financial guarantor, to issue the insurance. Despite its initial willingness to pursue the product, Asset Guaranty subsequently exited negotiations due to the fact that it could not secure the requisite approval from its rating agency. The rating agency not only considered the product impractical

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<sup>2</sup> On January 31, 1997, Mercury Finance Co. defaulted on \$17 million in commercial paper and the defaulted amount increased to \$315 million by the end of February 1997.

in terms of economics and scope, but also viewed money market fund insurance unfavorably in the first place.<sup>3</sup>

Today, it is likely that private money market fund insurance would be even more difficult to secure. Traditional insurance is staunchly regulated on a state-by-state basis. We believe that it is unlikely that a consortium of state regulators would now consent in allowing their subject companies to offer such a product to the risk of traditional insurance policyholders.

The financial guaranty industry was particularly hard-hit during the recent financial crisis with the effects still reverberating throughout the industry. Today, more uncertainty exists than ever for the industry. This is particularly true given the industry's uncertain future and the fact that just one viable provider of financial guaranty insurance remains in business today. Effectively, Assured Guaranty Ltd is the only company that continues to write bond insurance today. As such, it is unlikely that Assured Guaranty alone would, or even could, take on the exposure of insuring money market funds. Even if additional providers were to surface, doing so would simply transfer the risk from money market funds to the insurance industry. This could very well introduce other additional risks that border on systemic.

We also analyzed the establishment of a publically mandated insurance fund, using the Federal Deposit Insurance Corporation's ("FDIC") deposit insurance program as a model. For the purposes of our analysis, which is attached as Exhibit A, we made the following assumptions:

- Insured assets consist of all prime money market funds assets, less the required 10% held in Daily Liquid Assets.
- The insurance fund would be funded to levels of 1.15%, 2.00%, or 2.50% of insured assets.
- The insurance fund would be built to these levels over periods of five or ten years.
- The yield spread between prime and government money market funds of 21 basis points is based on the average spread over the last three years.
- The premiums paid by prime money market funds to the insurance fund would decrease the funds' net yields.

The funding levels in our assumptions are based on the FDIC funding tiers. We also note that the Reserve Primary Fund held \$785 million in Lehman Brothers debt, or 1.3% of its assets. The annual cost of building an insurance fund to these levels would range from 10 basis points (to build the fund to 1.15% of insured assets over ten years) to 45 basis points (to build the fund to 2.5% of insured assets over five years.) In most cases, the cost of the insurance would mean that the average net yield of prime money market funds would be below the average net yield of government money market funds. Were that to occur, investors could be reasonably expected to switch from prime funds to government funds.

As the PWG Report points out, the establishment of an insurance fund could introduce other distortions in this market. For example, if insurance premiums were levied based on 90% of assets, fund managers would be less likely to hold daily liquid assets which exceeded the minimum of 10% required under Rule 2a-7. Thus the credit protection afforded by an insurance fund might heighten liquidity risks. Insurance might also increase some systemic risks in that some fund managers might take more credit risk than they would were an insurance program not in place. Absent a risk based premium that reflected the credit risk being taken by money market funds, more conservative managers would bear the cost of the risk taken by more aggressive managers. Since money market funds with more credit risk could be

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<sup>3</sup> See Investment Company Institute Memorandum dated September 19, 1997.

expected to have higher yields, investors could be expected to shift assets to riskier funds, increasing risk to the insurance fund and the industry as a whole. If the insurance fund were to experience higher than expected losses, it would be reasonable to conclude that the cost of the insurance would increase. If such an increase resulted in prime money market fund yields that were below government money market fund yields, this in and of itself could lead to a sudden shift of assets out of prime money market funds and effectively prompt a run on prime money market funds. Further, some limits on the amount of coverage allowed to any single fund or fund family would be necessary in order to avoid a situation where one fund or fund family received a disproportionate share of protection, but such limits might make it difficult for shareholders to assess the degree to which they were protected and negate the benefits of such a program. Given the costs of such a program and the potential distortions that might be introduced, we believe that the establishment of a publically mandated insurance fund is not a workable solution.

We also believe that confusion could arise from money market fund “insurance” which would be very different in nature than the more broadly understood government insurance of certain bank deposits.

In light of the above concerns, we believe that a better alternative would be to allow money market funds to set aside reserves to protect against future losses. Permitting funds to retain income and/or capital gains could be an alternative source of “insurance” and an exercise of prudent risk management. We believe that by modifying regulations to allow money market funds to set aside reserves on a voluntary basis could be very meaningful in alleviating liquidity stresses on individual funds as minor credit losses that can impact a fund’s shadow NAV<sup>4</sup> could be offset by these reserves, thus reducing a fund’s susceptibility to runs.

Our recommendations, as outlined below, would reduce the risk to money market funds of runs, though would require modification to certain aspects of the Internal Revenue Code as they relate to registered investment companies that hold themselves out as money market funds subject to Rule 2a-7. We recognize the trade-off may be a period in which shareholders experience a lower yield, however, we feel the benefit of prudent risk management and preservation of the \$1.00 per share net asset value exceeds the minimal decline in yield.

Under current tax regulations, money market funds must distribute substantially all of their net short-term and long-term capital gains. In any year where a money market fund realizes a net capital loss, these losses can be carried forward and can offset certain future capital gains. As the risk of investing in a money market instrument is asymmetrical -- in other words opportunities for gains are limited but losses theoretically can reach the full amount of an investment -- our proposal is to allow money market funds to carry forward any short-term and long-term net capital gains to be used to offset potential future losses. The amount of realized capital gains that can be carried forward should be limited to one-half of one percent of net assets, or less in certain cases, in order to limit a fund’s amortized cost per share net asset value to \$1.0050 so that the fund’s per share net asset value does not round to \$1.01. Under this proposal, the realized gains that are carried forward would not be subject to federal income or excise tax.

We recommend that the Commission consider allowing money market funds to voluntarily distribute up to 0.10% of assets, per annum, into a loss reserve account for the benefit of a fund. Distributions to this loss reserve account should only be made when a fund’s current reserve balance is below a maximum funding level of one-half of one percent of net assets. During the 2007-2008 crisis, certain sponsors made voluntary contributions or purchased securities from their money market funds in

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<sup>4</sup> A fund’s shadow net asset value represents the mark-to-market net asset value of the fund’s portfolio.

order to stabilize their net asset values and to protect their funds and their shareholders. This loss reserve account would provide dedicated capital that can be utilized by a fund to stabilize its per share net asset value in the event of a loss. The loss reserve account would deposit capital back into the fund in the event of realizing a loss, or a fund could take into account the value of this account in the calculation of their shadow per share net asset value, in the event there is a mark-to-market loss that brings the fund's shadow per share net asset value below \$1.0000, returning the fund to a maximum of \$1.0000.

In order for the loss reserve account to effectively mitigate risk, the assets within the account should only be used to benefit a fund's shadow per share net asset value up to \$1.0000, as this could create a migration of assets between funds based on the current size of the reserve, thus impacting the level of fund coverage. For example, if a fund were to build a reserve of 0.20%, resulting in a shadow per share net asset value of \$1.0020, and assets doubled due to this added protection, effective coverage would be reduced to 0.10% and the shadow per share net asset value would have decreased to \$1.0010. If the same fund experienced a reduction of assets by half, its effective coverage would double to 0.40% of assets.

Each recommendation described above limits the protection to \$0.005 per share. While this amount would not cover extreme losses, they would provide additional shareholder protections and could reduce the probability of a run on a particular fund in the event of minor credit losses or temporary mark-to-market losses due to short-term market disruptions. On October 4, 2008, post the Lehman bankruptcy, of the 182 prime funds rated by Standard & Poor's, the median shadow per share net asset value was \$0.9989 and the minimum was \$0.9963.<sup>5</sup> The amount of protection described above would have been sufficient to bring each of these 182 prime fund's shadow NAVs back to \$1.0000 per share.

Each recommendation would require coordination and approval from multiple regulatory agencies. In addition, the legal aspects surrounding the loss reserve account, tax treatment of capital gains and the distributions and contributions from the loss reserve account, and the impact of Rule 19(a)(1) return of capital reporting requirements, among others, would need to be further explored.

VI. *A Two-Tier System of money market funds, with Enhanced Protections for Stable NAV money market fund*

While we do not agree that a two tier system would necessarily reduce systemic risks posed by money market funds, we do not oppose, as a means of providing enhanced investor choice, the possibility of two different money market fund structures to be regulated under Rule 2a-7. The importance of SNAV Funds is clear; the importance of VNAV Funds and their impact on the money market industry as a whole is somewhat less clear. That being said however, there are some advantages of VNAV Funds that are worth noting. Most significant are that the risks associated with VNAV Funds are factored into their transactional net asset value so that shareholders would take any resultant fund losses with them upon redemption. Such losses would not be leveraged, as they are in SNAV Funds, on shareholders who remain in the fund.

Prime money market funds, rather than government or municipal money market funds, experienced the brunt of the liquidity and credit issues in 2007-2008. All money market funds attempt to intermediate credit and liquidity risk between their shareholders and the issuers of the securities

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<sup>5</sup> See S&P Report, *Credit FAQ: Shedding Light On The 'Shadow' Net Asset Value of Money Market Funds*, November 22, 2010. Admittedly, many funds had received some form of capital support from their sponsor prior to October, 2008 so these net asset values do not fully reflect the stresses of the credit events of 2007-2008.

purchased by the funds. Government funds are largely insulated from credit risk, while municipal funds, because they are typically concentrated in demand notes with third party liquidity support, are largely insulated from liquidity risk. Prime funds, on the other hand, continue to attempt to intermediate both of these risks. For this reason, we believe that prime funds will continue to be most susceptible to further liquidity concerns in the event of another credit crisis, and should be the primary focus of this reform. In order for SNAV and VNAV Funds to effectively co-exist, we believe that there need to be clear parameters established to distinguish between SNAV and VNAV Funds in order to avoid investor confusion.

Because government and municipal money market funds do not pose the same liquidity and/or credit concerns as prime money market funds, we believe that they should be able to continue to operate as SNAV Funds under the regulatory scheme that exists today. Prime money market funds, having greater credit or liquidity vulnerability relative to government and municipal money market funds, should continue to operate as SNAV Funds if they reduce their liquidity or credit risk. Below we list three examples of ways in which prime money market funds may reduce these risks. While by no means exhaustive, we believe that these illustrations provide a good framework for discussion.

First, they could retain their SNAV Fund status by opting into a liquidity facility assuming its implementation on the terms described previously in Section III of this letter. A second alternative to maintain SNAV Fund status in the event that a fund opted not to participate in the liquidity facility, would be to either be subject to enhanced liquidity standards that would need to be imposed by further regulatory changes (i.e., shorter weighted average maturities and shorter weighted average final maturities and increased daily/weekly liquidity requirements under Rule 2a-7). Third, a fund could operate as a SNAV Fund by creating a loss reserve in the fund through retained capital gains and/or income which could be utilized after a credit loss in order to reduce the risk of a run on fund assets. Establishing parameters regarding a minimum loss reserve account should be considered in order to prevent a sponsor from establishing a shallow reserve account in order to meet the requirements of operating as a SNAV Fund. If a prime money market fund chose not to undertake any such risk limiting measures, then it would need to operate as a VNAV Fund.

While shareholders in VNAV Funds would be subject to greater liquidity risk, these shareholders chose to invest in prime funds that had either not opted into the liquidity facility, were not subject to enhanced liquidity standards or had not built up a reserve of retained earnings to guard against future losses. The increased risk would be in and of itself a significant point of distinction between SNAV and VNAV Funds that would need to be clearly disclosed to shareholders. However, we feel that further points of distinction are necessary given the structural differences and the importance of avoiding investor confusion.

A known feature and advantage of SNAV Funds is their stable \$1.00 per share net asset values. We believe it is important that VNAV Funds have a starting net asset value of \$10.00 per share. In order to reflect the same volatility as the published shadow net asset values of SNAV funds, the share price of VNAV funds should be calculated to three decimal places as \$10.000. Per share net asset values, well understood by shareholders as the price at which money market fund shares offered without a load may be purchased, would serve as a means of drawing a meaningful and clear distinction between SNAV and VNAV Funds. Another known and important feature of SNAV Funds is their ability to offer same day cash to their shareholders through same day settlement, a feature that is achievable with a fund that maintains a stable \$1.00 per share net asset value. VNAV Funds, given the floating nature of their per share net asset values, should not be permitted to offer the same convenience of same day settlement to

shareholders. Instead, it should be mandatory that shareholders redeeming shares in a VNAV Fund receive their cash no earlier than the next business day after their order is placed. Finally, to ensure that shareholders do not further confuse the two products, VNAV Funds should also be clearly labeled as such by including terms in their name such as “floating, fluctuating or variable.”

*VII. Regulating Stable NAV MMFs as Special Purpose Banks*

We are opposed to the option of reorganizing SNAV Funds as special purpose banks and subjecting them to banking oversight and regulation, including requirements for reserves and capital buffers similar to restrictions imposed by banking law on bank deposits. It is clear, as described in more detail in the PWG Report, that the implementation of this option would require significant legislative changes and complex interagency cooperation. There would seem to be significant capital requirements for implementing this option that would allow money market funds to have access to government insurance and emergency facilities at a price similar to that currently paid by depository institutions as a means of reducing systemic risk. However, money market funds returns have not historically been high enough to support the bank type capital and insurance costs that currently support bank deposits. We believe that the obstacles in pursuing this option far outweigh the benefits to be gained from its implementation.

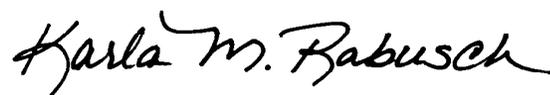
*VIII. Enhanced Constraints on Unregulated MMF Substitutes*

We agree with the PWG Report that many of the rules recently adopted by the Commission may reduce the appeal of money market funds to investors and could drive them to invest in other less regulated stable value products. We further agree with the PWG that further evaluation of the systemic risk of unregistered stable value investment vehicles may be required. We believe that any efforts to enhance regulation of these types of products should be executed with careful consideration.

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We appreciate the opportunity to provide comments on the PWG Report and welcome the Commission’s consideration of our recommendations as we believe that they could materially improve the safety of money market funds, thus reducing their susceptibility to runs. Should you have any questions, please contact the undersigned at 415-396-4513.

Very truly yours,



Karla M. Rabusch  
President  
Wells Fargo Funds Management, LLC

Exhibit A

<b>MONEY FUND TYPE BY ASSETS (\$M)</b>		
As of Oct. 31, 2010		% OF TOTAL
<b>Prime</b>	<b>1,531,098</b>	<b>58%</b>
Govt & Trs	779,508	30%
Tax Exempt	316,513	12%
<b>TOTAL*</b>	<b>2,627,119</b>	
<b>Prime excess liquidity</b>	<b>1,377,988</b>	<b>90%</b>
10% Daily Liquidity	153,110	
20% Weekly Liquidity	<u>306,220</u>	
30% SEC requirement	459,329	
one half of one %	6,890	
	0.50%	

Using FDIC funding tiers of 1.15%, 2.00% and 2.50%  
 based on 90% of Prime Fund assets  
 Calculated 10 years to build fund and 5 years to build fund  
 Annual cost varies from 23 basis points to 50 basis point (5 years)  
 Annual cost varies from 11.5 to 25 basis points (10 years)  
 Annual cost as a % of fund assets varies from 10 to 45 basis points.

Prime excess reserve fund	90% of total Prime		90% of total Prime		90% of total Prime	
	Over 10 years:	Over 5 years:	Over 10 years:	Over 5 years:	Over 10 years:	Over 5 years:
Insured Assets	1,377,988	1,377,988	1,377,988	1,377,988	1,377,988	1,377,988
<b>Fund Balance</b>	<b>15,847</b>	<b>15,847</b>	<b>27,560</b>	<b>27,560</b>	<b>34,450</b>	<b>34,450</b>
Ratio to insured funds	1.15%	1.15%	2.00%	2.00%	2.50%	2.50%
Annual Cost as a % insured	0.1150%	0.2300%	0.2000%	0.4000%	0.2500%	0.5000%
Annual Cost to Fund (\$M)	1,585	3,169	2,756	5,512	3,445	6,890
Annual Cost as a % of fund assets	0.10%	0.21%	0.18%	0.36%	0.23%	0.45%
Excess spread on Govt funds	0.0021%	0.0021%	0.0021%	0.0021%	0.0021%	0.0021%

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# Money Fund Intelligence XLS

# Family Rankings



## November 2010 Issue (info as of October 31, 2010)

### MONEY FUND FAMILY RANKINGS BY ASSETS (\$M)

Rank	Family	PmRlnst	PmRet	GvtInst	GvtRet	TrInst	TrRet	TaxExpt	PmRlnst%	PmRet%	GvtInst%	GvtRet%	TrInst%	TrRet%	TaxExpt%	10/31/10	1-Mo	%Chg	3-Mo	%Chg	12-Mo	%Chg	Mkt Share	10/31/2010
1	Fidelity	136,736	167,285	33,890	8,325	20,854	8,200	62,331	31.2%	38.2%	7.7%	1.9%	4.8%	1.9%	14.2%	437,621	470	0.1%	-4,009	-0.9%	-63,871	-12.7%	16.7%	
2	JPMorgan	128,880	11,500	78,088	6,106	29,065	4,209	28,840	45.0%	4.0%	27.2%	2.1%	10.1%	1.5%	10.1%	286,688	782	0.3%	7,770	2.8%	-88,874	-23.7%	10.9%	
3	Federated	65,893	43,187	31,658	22,593	22,665	11,552	27,069	29.3%	19.2%	14.1%	10.1%	10.1%	5.1%	12.1%	224,616	-1,914	-0.8%	1,610	0.7%	-47,961	-17.6%	8.6%	
4	Dreyfus	80,986	21,518	27,945	5,580	26,973	10,674	9,266	44.3%	11.8%	15.3%	3.1%	14.7%	5.8%	5.1%	182,942	-306	-0.2%	8,006	4.6%	-30,447	-14.3%	7.0%	
5	BlackRock	111,274	14,054	18,691	133	12,729	524	20,261	62.6%	7.9%	10.5%	0.1%	7.2%	0.3%	11.4%	177,665	2,865	1.6%	8,209	4.8%	-40,820	-18.7%	6.8%	
6	Vanguard	20,463	87,646	0	5,813	18,110	0	32,319	12.5%	53.3%	0.0%	3.5%	11.0%	0.0%	19.7%	164,351	-657	-0.4%	-619	-0.4%	-16,807	-9.3%	6.3%	
7	Schwab	7,179	83,619	0	13,634	0	17,193	28,945	4.8%	55.5%	0.0%	9.1%	0.0%	11.4%	19.2%	150,570	-498	-0.3%	-238	-0.2%	-23,363	-13.4%	5.7%	
8	Wells Fargo	55,765	15,899	21,066	6,600	6,189	12,351	15,986	41.7%	11.9%	15.7%	4.9%	4.6%	9.2%	11.9%	133,855	-4,534	-3.3%	-6,830	-4.9%	-23,182	-14.8%	5.1%	
9	Goldman Sachs	45,325	921	46,656	1,130	27,633	1,349	9,840	34.1%	0.7%	35.1%	0.0%	20.8%	1.0%	7.4%	132,854	805	0.6%	-9,679	-6.8%	-51,459	-27.9%	5.1%	
10	Western	23,200	12,945	10,489	4,650	13,868	1,004	14,245	28.9%	16.1%	13.0%	5.8%	17.2%	1.2%	17.7%	80,401	736	0.9%	2,190	2.8%	-15,695	-16.3%	3.1%	
11	SSgA	41,271	8,256	6,999	560	7,179	982	419	62.8%	12.6%	10.7%	0.9%	10.9%	1.5%	0.6%	65,666	6,453	10.9%	9,819	17.6%	7,315	12.5%	2.5%	
12	Northern	13,324	7,465	18,535	4,932	0	4,496	13,852	21.3%	11.9%	29.6%	7.9%	0.0%	7.2%	22.1%	62,604	362	0.6%	-269	-0.4%	-4,468	-6.7%	2.4%	
13	Invesco (AIM)	28,740	2,262	7,567	731	10,249	1,031	1,515	55.2%	4.3%	14.5%	1.4%	19.7%	2.0%	2.9%	52,093	-1,695	-3.2%	-1,332	-2.5%	-15,936	-23.4%	2.0%	
14	BofA (Columbia)	23,243	5,009	8,481	541	4,967	4,169	11,985	39.8%	8.6%	14.5%	0.9%	8.5%	7.1%	20.5%	58,393	-6,046	-9.4%	-10,975	-15.8%	-41,190	-41.4%	2.2%	
15	DB Advisors	42,107	4,418	2,486	377	2,360	852	3,704	74.8%	7.8%	4.4%	0.7%	4.2%	1.5%	6.6%	56,303	-1,901	-3.3%	-1,634	-2.8%	-18,928	-25.2%	2.1%	
16	UBS	20,117	14,986	0	3,706	6,981	0	7,918	37.5%	27.9%	0.0%	6.9%	13.0%	0.0%	14.7%	53,708	118	0.2%	-627	-1.2%	-1,215	-2.2%	2.0%	
17	Morgan Stanley	18,059	4,644	8,554	723	4,867	0	8,289	40.0%	10.3%	19.0%	1.6%	10.8%	0.0%	18.4%	45,136	-1,961	-4.2%	-3,092	-6.4%	-4,634	-9.3%	1.7%	
18	First American	10,393	8,838	4,320	8,463	1,422	8,414	945	24.3%	20.7%	10.1%	19.8%	3.3%	19.7%	2.2%	42,795	-951	-2.2%	-599	-0.9%	-16,668	-30.4%	1.6%	
19	RBC (Tamarack)	4,088	10,644	840	4,092	0	0	1,461	19.4%	50.4%	4.0%	19.4%	0.0%	0.0%	6.9%	21,125	-884	-4.0%	-1,269	-5.7%	-3,458	-14.1%	0.8%	
20	HSCB	5,787	1,729	8,019	949	2,526	759	656	28.3%	8.5%	39.3%	4.6%	12.4%	3.7%	3.2%	20,425	-1,309	-6.0%	-4,796	-19.0%	-10,109	-33.1%	0.8%	
21	American Funds	0	15,162	0	0	0	0	0	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15,162	-450	-2.9%	-1,036	-6.4%	-3,388	-18.3%	0.6%	
22	T Rowe Price	0	11,331	0	0	0	1,839	1,447	0.0%	77.5%	0.0%	0.0%	0.0%	12.6%	9.9%	14,617	361	2.5%	39	0.3%	-618	-4.1%	0.6%	
23	Oppenheimer	7,357	3,120	0	0	0	0	0	70.2%	29.8%	0.0%	0.0%	0.0%	0.0%	0.0%	10,477	930	9.0%	2,153	25.9%	-86	-0.8%	0.4%	
24	SEI	4,489	425	1,939	519	171	793	1,480	45.7%	4.3%	19.8%	5.3%	1.7%	8.1%	15.1%	9,816	-867	-8.1%	-1,305	-11.7%	-1,945	-16.5%	0.4%	
25	USAA	0	5,213	0	0	0	182	3,598	0.0%	58.0%	0.0%	0.0%	0.0%	2.0%	40.0%	8,993	-75	-0.8%	-245	-2.7%	-1,850	-17.1%	0.3%	
26	TDAM	161	4,711	833	1,486	423	0	1,289	1.8%	52.9%	9.4%	16.7%	4.8%	0.0%	14.5%	8,903	-41	-0.5%	466	5.5%	-2,516	-22.0%	0.3%	
27	Franklin	6,480	1,815	0	0	0	0	0	78.1%	21.9%	0.0%	0.0%	0.0%	0.0%	0.0%	8,295	0	0.0%	9	0.1%	-125	-1.5%	0.3%	
28	Daily (Reich & Tang)	936	3,288	63	1,057	810	390	854	12.7%	44.5%	0.8%	14.3%	10.9%	5.3%	11.5%	7,397	17	0.2%	113	1.6%	-875	-10.6%	0.3%	
29	Fifth Third	3,231	722	1,284	453	1,154	375	0	44.8%	10.0%	17.8%	6.3%	16.0%	5.2%	0.0%	7,219	-257	-3.4%	-471	-6.1%	-997	-12.1%	0.3%	
30	American Century	0	3,378	0	3,066	0	0	595	0.0%	48.0%	0.0%	43.6%	0.0%	0.0%	8.5%	7,039	-287	-4.0%	-349	-4.8%	-1,136	-13.1%	0.3%	
31	Ridgeworth (STI)	1,307	3,330	333	1	738	193	273	21.2%	53.9%	5.4%	0.0%	12.0%	3.1%	4.4%	6,175	-2,336	-27.4%	-833	-58.9%	-1,097	-66.0%	0.2%	
32	MTB	1,419	639	2,047	30	1,233	76	256	24.9%	11.2%	35.9%	0.5%	21.6%	1.3%	4.5%	5,700	324	6.0%	451	8.6%	-257	-3.4%	0.2%	
33	PNC (Allegiant)	914	2,003	940	209	417	122	887	16.6%	36.5%	17.1%	3.8%	7.6%	2.3%	16.2%	5,492	-122	-2.2%	-151	-2.7%	-2,635	-32.4%	0.2%	
34	CNI	472	812	83	3,040	0	0	915	8.9%	15.3%	1.6%	57.1%	0.0%	0.0%	17.2%	5,322	192	3.7%	61	1.2%	-110	-2.0%	0.2%	
35	Highmark	1,977	569	786	224	425	760	564	37.3%	10.7%	14.8%	4.2%	8.0%	14.3%	10.6%	5,305	-176	-3.2%	188	3.7%	-458	-7.9%	0.2%	
36	Marshall	2,091	1,557	302	246	0	0	980	40.4%	30.1%	5.8%	4.8%	0.0%	0.0%	18.9%	5,176	-219	-4.1%	-93	-1.8%	-1,582	-23.4%	0.2%	
37	Wilmington Trust	39	2,380	92	1,689	0	0	310	0.9%	52.8%	2.0%	37.5%	0.0%	0.0%	6.9%	4,510	-139	-3.0%	-193	-4.1%	-278	-5.8%	0.2%	
38	Victory	1,335	882	0	1,374	0	0	375	33.7%	22.2%	0.0%	34.6%	0.0%	0.0%	9.5%	3,966	-213	-5.1%	-246	-5.8%	-1,380	-25.8%	0.2%	
39	Virtus Insight	1,328	355	128	156	0	0	647	50.8%	13.6%	4.9%	6.0%	0.0%	0.0%	24.8%	2,614	-90	-3.3%	-355	-12.0%	-1,465	-35.9%	0.1%	
40	Columbia (RiverSource)	0	2,380	122	0	0	0	0	0.0%	95.1%	4.9%	0.0%	0.0%	0.0%	0.0%	2,502	-94	-3.6%	-154	-5.8%	-575	-18.7%	0.1%	
41	Cavalan Hill	405	509	0	0	190	604	407	19.1%	24.1%	0.0%	0.0%	9.0%	28.6%	19.2%	2,115	11	0.5%	29	1.4%	-285	-11.9%	0.1%	
42	Natnwide	1,360	616	0	0	0	0	0	68.8%	31.2%	0.0%	0.0%	0.0%	0.0%	0.0%	1,976	-81	-3.9%	-86	-4.2%	-243	-11.0%	0.1%	
43	Puram	0	1,917	0	0	0	0	57	0.0%	97.1%	0.0%	0.0%	0.0%	0.0%	2.9%	1,974	-216	-9.9%	-287	-12.7%	-525	-21.0%	0.1%	
44	BBH	676	1,018	0	0	0	0	0	39.9%	60.1%	0.0%	0.0%	0.0%	0.0%	0.0%	1,694	-57	-3.3%	-32	-1.9%	-928	-35.4%	0.1%	
45	Janus	0	1,450	0	200	0	0	0	0.0%	87.9%	0.0%	12.1%	0.0%	0.0%	0.0%	1,650	0	0.0%	0	0.0%	130	8.6%	0.1%	
46	Milestone	0	0	0	0	996	469	0	0.0%	0.0%	0.0%	0.0%	68.0%	32.0%	0.0%	1,465	70	5.0%	357	32.2%	285	24.4%	0.1%	
47	GE	1,184	21	0	0	0	0	0	98.3%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	1,205	228	23.3%	388	47.5%	234	24.1%	0.0%	
48	Waddell & Reed	0	1,200	0	0	0	0	0	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1,200	-10	-0.8%	105	9.6%	-20	-1.6%	0.0%	
49	William Blair	0	1,170	0	0	0	0	0	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1,170	-50	-4.1%	-80	-6.4%	-190	-14.0%	0.0%	
50	Guidestone	0	1,133	0	0	0	0	0	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1,133	0	0.0%	0	0.0%	-	-	0.0%	
51	Williams Capital	0	0	1,127	0	0	0	0	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	1,127	9	0.8%	31	2.7%	-87	-7.		