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December 24, 2008

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

Re: Temporary Exemption for Liquidation of Certain Money Market Funds
(File No. S7-32-08)

Dear Ms. Murphy:

The Investment Company Institute¹ supports the Securities and Exchange Commission's willingness to provide relief from Section 22(e) of the Investment Company Act of 1940 for those money market funds that have elected to participate in the U.S. Treasury Department's Temporary Guarantee Program for Money Market Funds ("Program").² The Commission's interim final temporary rule – Rule 22e-3T – permits participating money market funds to take full advantage of the Program and initiate the steps necessary to facilitate orderly liquidations that will protect the interests of all shareholders in the funds. As discussed below, at the expiration of the temporary rule, we urge the Commission to adopt a similar final exemptive rule available to *all* money market funds preparing to liquidate. We also suggest a minor change relating to Rule 22e-3T's expiration date.

Background

Under the Program, the Treasury Department will guarantee the share price of participating money market funds that seek to maintain a stable net asset value of \$1.00 per share, or some other fixed amount, subject to certain conditions and limitations.³ In particular, under the terms of the Program, the Treasury Department guarantees that, upon the liquidation of a participating money market fund, the fund's shareholders will receive the fund's stable price for each fund share owned as of September 19, 2008.⁴ Pursuant to the Agreement, a participating money market fund that experiences

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 \$10.10 trillion and serve almost 90 million shareholders.

² *Temporary Exemption for Liquidation of Certain Money Market Funds*, SEC Release No. IC-28487 (November 20, 2008) ("Release").

a “Guarantee Event” (*i.e.*, breaks the buck) is required to commence liquidation within five business days (absent invoking a cure provision under the Agreement). The Agreement further requires the fund board to promptly suspend the redemption of its outstanding shares “in accordance with applicable Commission rules, orders and no-action letters.” The fund then must be liquidated within thirty days after a Guarantee Event unless the Treasury Department consents to a later date (“Liquidation Date”).

Analysis and Recommendations

Permanent Exemptive Relief from Section 22(e)

Section 22(e) of the Investment Company Act prohibits funds, including money market funds, from suspending the right of redemption, or postponing the date of payment or satisfaction upon redemption of any redeemable security for more than seven days, absent certain specified circumstances or a Commission exemptive order. Without an exemption from Section 22(e), a participating money market fund that experiences a Guarantee Event under the Program will be unable to immediately implement and promptly effect an orderly liquidation as contemplated by the Agreement.

Rule 22a-3T will permit money market funds that commence liquidation under the Program to temporarily suspend redemptions of their outstanding shares and postpone the payment of redemption proceeds. The Release notes that the temporary rule is designed to “facilitate orderly liquidations and help prevent the sale of fund assets at ‘fire sale’ prices.” The Release goes on to say that “[s]uch a result could lead to substantial losses for the liquidating fund and further depress prices for short-term securities that may be held in the portfolios of other money market funds.”

We agree with the Commission’s rationale for the temporary rule and also agree that the rule is consistent with the policy underlying Section 22(e). The purpose of Section 22(e) is to ensure that a redeemable security is, in fact, redeemable and that funds do not institute barriers to redemption or suspend the right of redemption for ulterior motives such as to prevent a reduction in management fees as a result of significant redemptions.⁵ As the Release recognizes, however, liquidation of a money market fund under the Program eliminates a source of advisory fees for the adviser, removing the “ulterior motives” for suspending redemptions.

We believe the same logic applies to any money market fund that liquidates, regardless of the Program. Furthermore, when the net asset value of a money market fund falls below \$1.00 per share

³ Most of the nation’s money market funds elected to participate in the Program (both initially and through the April 30, 2009 extension), by executing an agreement with the Treasury Department (“Agreement”) and paying the required participation fee.

⁴ The Program provides coverage only to shareholders of record as of September 19, 2008, and the coverage is limited to the number of shares they held as of the close of business on that day.

⁵ See *Investment Trusts and Investment Companies: Hearings on S. 3580 Before a Subcomm. of the Senate Comm. on Banking and Currency*, 76th Cong., 3d Sess. 291 (statement of David Schenker, Chief Counsel, Investment Trust Study, SEC).

and the fund's board decides to liquidate the fund, redemption requests can outpace the fund's ability to sell its portfolio instruments, to the detriment of the remaining shareholders. These requests also can outpace the Commission's ability to grant a timely exemptive order. Under these circumstances, requiring individual applications for exemptive relief from Section 22(e) does not serve the public interests. Accordingly, we would urge the Commission, at the expiration of the temporary rule, to adopt a similar final exemptive rule available to all money market funds preparing to liquidate.

Expiration Date

According to the Release, because the Program cannot extend beyond September 18, 2009, and a money market fund has thirty days to liquidate, Rule 22e-3T will expire on October 18, 2009. The Commission also may announce an earlier expiration date for the temporary rule if the Program terminates before September 18, 2009. The temporary rule's expiration date does not, however, take into consideration a situation in which a money market fund commences liquidation shortly before September 18, 2009 and the Treasury Department consents to a Liquidation Date that extends beyond October 18. Accordingly, we recommend that Rule 22e-3T be available to any participating money market fund that has delivered to the Treasury Department the required notice indicating that it has experienced a Guarantee Event and will promptly commence liquidation of the fund under the terms of the Agreement.

* * * * *

We appreciate the opportunity to comment on interim final temporary Rule 22e-3T. If you have any questions regarding our comments or need additional information, please contact Jane Heinrichs, Associate Counsel, at (202) 371-5410 or the undersigned at (202) 326-5815.

Sincerely,

/s/ Karrie McMillan

Karrie McMillan
General Counsel

cc: The Honorable Christopher Cox, Chairman
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes

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