The Derivative Project

November 29, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Ms. Murphy:

The Derivative Project is pleased to have the opportunity to comment on The President's Working Group Report on Money Market Reform, "addressing reform proposals concerning money market funds' susceptibility to runs."

Our concern that prompts these recommendations is there has yet to be established rationale for individual investors to once again believe in the quality of credit ratings from the major credit rating firms and trust in the "due diligence" in the mutual fund firms to protect the individual investor in prudent asset selection, transparency and disclosure.

Until that trust is restored, additional transparency is mandatory for the individual investor.

Recommendations:

I. The Derivative Project recommends that individual investors have online links to access the underlying assets of asset-backed commercial paper vehicles or conduits held by a money market fund, as we now will have long-overdue regularly updated access to the asset composition and holdings by a money market mutual fund.

The rationale for this additional disclosure is:

- money market fund holdings, as now regulated by the SEC, require distinct limitations on credit quality as defined by Tier I and Tier II assets.
- It is impossible for an individual investor to obtain information on the special purpose entity for asset-backed commercial paper and its asset holdings or outside "guarantees".
- Individual investors that choose to do this credit analysis can serve as an additional resource alert to the SEC if there are discrepancies in actual credit quality and credit ratings
- Underlying money market fund assets could include currencies other than the U.S. dollar, presenting currency risk, which should be disclosed, for one to make

a proper risk analysis prior to purchase.
- Underlying money market fund assets could include a "credit enhancement" or derivative, which should also be disclosed, to facilitate a proper risk analysis prior to purchase.

As you are aware, since asset- backed commercial paper's credit risk typically lies in the underlying assets and not in the bank that created the special purpose conduit, knowledge of these assets is the only way to make a credit determination, prior to purchase of the fund.

II. The Derivative Project recommends that the SEC require mutual funds to state an investment objective for a mutual fund and be required to adhere to that investment objective or disclose where holdings may differ from the stated objective.

The "Report on Money Market Reform" states on page 68640:

"MMFs have attracted highly risk-averse investors who are particularly prone to flight when they perceive the possibility of a loss. These features likely mutually reinforce each other in times of crisis."

Highly risk-averse investors were attracted to money market mutual funds because the mutual fund companies stated these were "very safe and stable Investments." Here is one example from September 2008, sent to the SEC Investor Advocacy Office:

- ***"Charles Schwab Cash Reserve money markets states "Schwab money market funds typically invest only in securities in the upmost tier of credit quality and are required to invest in securities that are in the top two tiers of credit quality."***

- ***Typically, these are assets of maturities of less than 59 days.***

- ***In addition, in this cash reserve money market fund, numerous assets are in firms that investors have no access to their balance sheets, such as Florida Hurricane.***

- ***As of their last semi annual report, Charles Schwab had over 1% of their portfolio in Whistlejacket and other Structured Investment Vehicles. It is my understanding their value is now worthless. Structured investment vehicles have never been in the upmost tier of credit quality, which is required by their money market reserves investment objective. "***

Charles Schwab has since adjusted their home page of their website concerning "risks of money market funds", but only after the collapse of the financial system and new SEC rules on money market fund disclosure.

It was the false advertising by the mutual fund companies that promised the "safety" of money market funds to lure conservative retirement investors, who were led to believe these funds were invested in FDIC insured CD'S and commercial paper of blue-chip companies, not off-balance, highly risky asset-backed commercial paper conduits and SIV's.

Thank you very much for your time and consideration of these recommendations to assist individual investors regain a trust in our capital markets through transparency and minimal, but cost- effective regulatory oversight.

Part of The Derivative Project's mission is to assist individual investors in education and access to transparent capital markets that will serve to reduce future regulatory costs and to create vibrant markets to rebuild sustainable economic development, not speculative gains from betting on the demise of a corporation or government, through credit default swaps.

Sincerely,

Susan O. Seltzer
President
The Derivative Project