ES/ 40361

December 12, 2011

Via Federal Express
Securities and Exchange Commission
Attn: Mary Schapiro, Chairman
100 F Street, NE
Washington, D.C. 20549

Subject: Structural Reform of Money Market Funds

Dear Chairman Schapiro:

From recent remarks at industry conferences, we understand that the U.S. Securities and Exchange Commission ("SEC") continues to evaluate structural reform of money market funds, including the options of mandating a floating net asset value ("NAV") and the use of capital buffers.[1] As described in more detail below, Cachematrix Holdings LLC ("Cachematrix") is a well-established service provider in the institutional money market industry, and, in that capacity, has acquired detailed knowledge and insight regarding the role that money market funds play in the cash management operations of many types of institutions.

Cachematrix believes that the stable share price is a seminal feature of money market funds and that money market funds are a central feature of many cash management programs. We believe that the proposal to mandate a floating share price, if adopted, would result in dramatic and adverse changes to the money market fund industry with many unintended consequences, as discussed below. We believe that a comprehensive and fully informed assessment of the consequences of such a proposal, and the costs of implementation, is important to any regulatory reform effort.

About Cachematrix

Cachematrix is an independent company founded in 2003. George Hagerman is founder and Chief Executive Officer of Cachematrix. Mr. Hagerman has had a distinguished 25-year career in the institutional money funds business. Prior to founding the company, George led money fund sales, marketing and distribution efforts for The Boston Company, Fidelity Investments, Lehman Brothers, and CS First Boston. In 1994, he developed the distribution platform for the Janus institutional money market funds, creating a suite of institutional funds

[1] Remarks of Chairman Schapiro at the Securities Industry and Financial Market Association conference.

that grew to more than $20 billion of assets under management. Cachematrix's management team has over 50 years of collective experience in the money market industry.

Cachematrix is a leading Software as a Service provider ("SaaS") of online institutional trading systems for banks and financial institutions worldwide, providing turnkey solutions for money market portal technology, as well as fixed income and bank product trading systems. Our technology enables banks and other financial service firms to offer their corporate clients online access to a choice of institutional money market funds, and a convenient, single source platform for managing them, including access to comprehensive analysis, online trading, and account management. Over $5 trillion has traded through money market portals powered by our technology. Currently, approximately a dozen global and super regional banks and financial institutions utilize our technology, representing over 5,700 individual corporations, 47,000 accounts and approximately $100 billion in assets. We have previously outlined the important role of portals in the money market space.[2] We offer below our views with respect to the option of mandating a floating share price.

Floating Share Price

Money market funds represent a nearly $3 trillion sector, and serve as an important vehicle for corporate treasurers and other short-term investors in the daily cash management of millions of dollars of brokerage, trust and corporate accounts. The stable value of money market funds is an absolutely critical feature to such investors who place a high premium on stability and preservation of capital. Institutional money managers and trustees rely heavily on money market funds for the temporary investment of cash balances. Moreover, their systems, as well as the systems of the many service providers that support cash management functions, have been structured and calibrated on the assumption of a stable share price. If the SEC were to mandate a floating share price, money market funds would no longer meet the needs of certain of these investors, and currently there does not appear to be a viable alternative product to fill that gap.

Second, even if a floating share price product would continue to serve the needs of certain of these investors, mandating a floating share price would wreak havoc on end users. A stable share price is critical to same-day and next-day processing, shortened settlement times, float management, and mitigation of counterparty risk among firms. In addition, an entire industry has programmed accounting, trading and settlement systems based on a stable share price. The cost for each bank to retool their sub-accounting systems to accommodate a fluctuating NAV could be in the millions of dollars. This does not take into account the costs that each bank would then pass on to the thousands of corporations that use money market trading systems.

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[2] *See* Comment Letter from George Hagerman dated April 29, 2011, Roundtable Discussion Regarding Money Market Funds and Systemic Risk.

Third, individual investors would be similarly affected. Many money market fund sponsors offer, and many retail investors use, money market products in conjunction with other products such as checks, debit cards or bill-paying services. These uses would be significantly impaired in a floating share price environment. Over 30 million investors, with investments in excess of $2.6 trillion, have chosen money market funds over bank deposits for convenience, efficiency, predictability and yield. Notwithstanding the events following the Lehman bankruptcy, many investors continue to view money market funds as having less risk than bank deposits in excess of FDIC insurance limits. Over the many years that money market funds have existed, more than 2,800 banks have failed at a cost of over $188 billion to the federal government, while only two money market funds were unable to meet shareholder redemption requests at 100 cents on the dollar (one paid 96 cents and the other over 99 cents on the dollar to its shareholders) at no cost whatsoever to taxpayers.

Fourth, dramatic changes to the structure of money market funds could impair the market for other types of money market products. Stable $1.00 NAV money market funds are extremely important to investors in many types of short-term investment products, and many products have therefore been specifically designed to meet the requirements of Rule 2a-7. These products include, without limitation, commercial paper, variable rate demand instruments, inverse floating rate instruments and, more recently, variable rate demand preferred stock.[3] To the extent that a floating share price makes money market funds less attractive and results in outflows from this product, there will likewise be a decrease in demand in other types of money market instruments, thereby disrupting short-term credit markets and increasing systemic risk.

Finally, we note that many fund groups currently offer floating NAV fund products. These products also play an important, but different, role than stable price products. They serve different investor types with different needs than corporate treasurers and trust managers that place a premium on stability of share price. [We believe that the fact that traditional money market funds have on balance retained market share since the third quarter of 2008, notwithstanding the relatively poor yields being offered, is an indication that money markets funds are valued for all the features described above, including stability, convenience and predictable cash flows.]

Conclusion

We strongly oppose any proposal to mandate a floating NAV for all of the reasons set forth above. We believe that any such proposal would dramatically change the dynamics of world money markets, and could have severe adverse repercussions, including many unintended consequences.

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[3] Variable rate demand preferred stock is issued by closed-end funds, and has been used to re-finance auction rate preferred securities.

We believe that Rule 2a-7, which provides the regulatory framework for money market funds, remains sound, and that reform efforts should not be focused on creating a regulatory regime that fundamentally changes this landscape. We strongly support regulatory efforts to improve transparency and reporting within the money market space, as well as regulatory efforts to mitigate risk and improve liquidity within the existing framework.

Very truly yours,
CACHEMATRIX HOLDINGS LLC

By: ______________________
George W. Hagerman

cc: Robert Plaze