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March 13, 2012

The Honorable Mary Schapiro
Chairman
U.S Securities & Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Analysis of Capital Buffer for Money Market Mutual Funds
File No. 4-619: Money Market Fund Reform

Dear Chairman Schapiro:

On behalf of Treasury Strategies, Inc., we write to call your attention to our recent analysis of the consequences of requiring money market mutual funds ("MMFs") to maintain a capital buffer. There are several troubling potential consequences of such a requirement. As we have noted in the enclosed copy of our report, a capital buffer may create incentives for investors and fund managers, as well as new compliance burdens, that would have the opposite result of the intended goals of financial reform.

In brief, the existence of a buffer may create an initial false sense of comfort among investors, thereby attracting investors who are not properly cognizant of risk. Yet, this false confidence could easily give way to a run if and when losses are charged against the capital buffer. Any such charge would be likely to act as an "early warning" signal to fund investors, encouraging them to exit the fund before the buffer was exhausted. Similarly, while financial reform is intended to result in decreased concentration and lower systemic risk, we conclude that a capital buffer may lead to greater risk-taking as asset managers seek to increase yield, or to greater concentration of capital in the largest banks, as money fund sponsors exit the business.

Perhaps most importantly, our analysis reviews the anatomy of financial runs, and summarizes how the Commission's 2010 amendments to Rule 2a-7 have addressed the circumstances that trigger runs. We urge the Commission to consider how those rule changes have benefited the markets, and to evaluate whether further changes are truly needed, or would only result in unintended consequences.

Sincerely,

Tony Carfang
Partner

Cathy Gregg
Partner

Enclosure

Treasury Strategies, Inc.

309 W. Washington Street
13th Floor
Chicago, Illinois 60606

t 312.443.0840
f 312.443.0847

61 Broadway
Suite 905
New York, New York 10006

t 212.292.0856
f 212.292.0863

1 Northumberland Avenue
Trafalgar Square
London
WC2 N5BW
Great Britain

t +44 207 872 5551
f +44 207 872 5611

www.TreasuryStrategies.com