ES141695

David Matthews
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May 4, 2012

Mary Shapiro, Chair
Securities And Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Liquidity issue to avoid 2008 Reserve Fund NAV problem

Dear Ms. Shapiro:

You need some input from someone with experience regarding MMF's management features and liquidity. Here it is.

Please read this because it gives you a far better approach to solution of the 2008 liquidity problem involving the Reserve Fund (under Bruce Bent) in 2008, as a result of its holding Lehman Brothers Cash Equivalent paper when the U.S.Treasury Secretary decided to pull the plug on Lehman Brothers (his long-standing arch-rival in the securities industry, by the way, unreported and not understood by the media).

The Investment Company Act of 1940, as applied to money market funds, provides that no more than 5% of owners' assets be used in any one issue, which must be only a P1-P2 or A1-A2 with average maturity of sixty (60) days or less, <u>except</u> for bank-issued paper, which may be up to 15% of assets, or U.S. Treasuries, which are not limited as to dollar amount but otherwise as above.

So, with all due respect <u>please do not advocate a "solution" which restricts liquidity to 95% in 30 days, or whatever percent other than dollar-for-dollar,</u> plus account interest as applicable (called "dividends", as per Commission preference).

The solution is to <u>reduce</u> the bank-paper allowable usage to perhaps <u>5% as well,</u> except for possibly so-called "C.D.'s", negotiable of course, not non-marketable. As you know, not reported in the WSJ article of Friday, April 27th, on your proposals, money market mutual funds commonly provide up to 15% short-term borrowing to cover "excess" redemptions and "penny rounding", to level out the share or "unit": NAV to a constant $1.00.

I write you based on this brief summary of my experience, which I here provide:

- 40 years as a senior officer in all areas of what is now termed the "Financial Services Industry";
- Creator (1984) of an institutional SEC-registered MMF and SEC-registered RIA, as principal, 1984-1991;

- At present, President and COO of a FINRA member. We have no proprietary products.

Thank you for your attention to this very serious matter. Liquidity at par is the watch-word of what Harry Brown developed and finally got through registration in 1984. Unfortunately, he later brought in Bruce Bent to handle it.

I strongly recommend that you avoid the influence of the banking lobby which will press hard for the "solution" discussed in last Friday's WSJ article referred to above.

Best regards,

David W. Matthews