Deutsche Bank Group
Deutsche Asset Management

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
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January 10, 2011

Re: President's Working Group Report on Money Market Reform Options (File No. 4-619)

Dear Ms. Murphy:

Deutsche Investment Management Americas Inc. ("DIMA")[1], an affiliate of Deutsche Bank, A.G., appreciates the opportunity to respond to the request for comments made by the Securities and Exchange Commission (the "Commission") in regard to the various solutions which have been offered for consideration in the Report of the President's Working Group on Financial Markets ("PWG") on Money Market Reform Options (the "Report").

Our response focuses on the two-tier solution

We have chosen to focus our response on section 3e of the Report which addresses the potential of a "two-tier" solution whereby money market reform could permit the existence of both stable and fluctuating net asset value ("NAV") money market fund structures under Rule 2a-7 under the Investment Company Act of 1940. As we highlighted in our initial comments to the Commission concerning money market fund reform in 2009[2], we believe that a diverse pool of investors – each with different goals and objectives – will ultimately benefit from increased choice.

In our 2009 comment letter, we proposed a unique "two-tier" solution which would preserve the stable NAV option, while permitting a variable NAV money fund category as a complement to the stable NAV structure. We believed then, as we do today, that this approach would help mitigate systemic risk, improve transparency and expand investor choice. We also believe that, of the many solutions under consideration, this is the most practical approach. Accordingly, we propose that Rule 2a-7 be amended to permit both

[1] DIMA is a registered investment adviser that serves as investment manager for a wide variety of U. S. registered equity and bond mutual funds and money market mutual funds. DIMA is part of the Deutsche Asset Management global organization, which in turn has approximately $727 billion in assets under management, including more than $123 billion in cash and liquidity assets under management as of September 30, 2010.

[2] DIMA comment letter dated August 31, 2009 submitted in connection with Money Market Fund Reform File No. S7-11-09 Release No. IC-29907.

structures but with somewhat different requirements for each. Timely implementation of a "two-tier" solution is critical to reducing the risk of asset migration from regulated money market funds to unregulated vehicles which would be more challenging to regulate in the future. Given this position, we also believe that the adoption of a "two-tier" solution should not be conditioned upon the implementation of additional fundamental changes to stable NAV money market funds under Rule 2a-7.

Systemic importance of decoupling stable NAV and variable NAV decisions

Given the complexity and wide range of potential solutions being considered for stable NAV money market funds as highlighted in the Report, there could be considerable delays in implementation of certain of the options discussed in the Report. For example, implementation of stable NAV reforms that would create special purpose entities or some form of a Liquidity Bank will have economic and regulatory hurdles to overcome. Any delay caused by the complexity of the solution under consideration will delay and, in fact, impede the educational process and regulatory stability that is necessary for the successful development of a variable NAV money market fund structure. A delay in addressing further money market reform carries its own risk as the markets are currently adjusting to evolving supply and demand imbalances. This reality increases the likelihood of asset migration from money market funds to alternatives without an adequate regulatory structure in place.

All risk mitigating reform recommendations outlined in the Report, other than the two-tiered framework, will inevitably lead to further reductions in the expected returns of stable NAV money market funds. This, consequently, will lead to a migration of assets to unregulated investment vehicles or potentially to vehicles without defined investment guidelines suitable for the typical cash investor. In addition, DIMA believes that any money market reform must be viewed as a segment of global financial regulatory reform. While reform is debated on the ultimate framework for stable NAV money funds, the universe of securities currently purchased by stable NAV funds will be changing. We expect current Rule 2a-7 eligible supply to decrease due to the high capital cost of short term funding as prescribed under Basel III and other prudent bank funding frameworks. These changes will not only impact bank issuance, they will also impact the cost of bank liquidity facilities necessary for non-financial corporate and asset backed commercial paper issuance. Reductions in supply available to stable NAV money market funds under the existing Rule 2a-7 framework will impact yields and begin the migration of money fund assets prior to finalized money market fund regulatory reform. DIMA believes it is critical for the Commission to consider this scenario and possible solutions.

The introduction of a variable NAV money market fund can be part of that solution. It is also our contention that, should a "two-tier" solution be implemented, a variable NAV money market fund's investment policy should be permitted greater flexibility when compared to a stable NAV money market fund due to the risk mitigating features offered by such funds and the need to match future supply and demand of money market issuance. Considering the options as separate decisions would provide the Commission with the added flexibility to operate within the existing regulatory oversight structure and to implement changes in a more expedient fashion. The Commission could address these issues by de-coupling the components of these decisions.

Segmentation of cash will help reduce systemic risk

DIMA strongly believes the systemic risks posed by the susceptibility of money market funds to “runs” may be reduced if investors had the flexibility to choose a money market fund structure that best matches the risk-return profiles of their cash requirements. A successful two-tiered system of money market funds would allow investors to segment cash into two investment pools: one for daily demand liquidity needs and one for core cash investments.

This segmentation will have the effect of reducing systemic risk inherent in a one -tier system. First, during times of stress, a near-zero tolerance for price sensitivity leads stable NAV funds to rely on liquidity buffers to cover redemptions or suffer realized losses and potential NAV impairment. This leads markets to seize up, rather than find a clearing bid. This unintended consequence is reinforced under the requirement of liquidity buffers. Once liquidity buffers are exhausted, the industry will avoid purchases of term assets which will ultimately add to market stress.

Price transparency will help mitigate run-on-the fund risk

While there is no single solution to avoiding runs in a daily redemption vehicle of stable or variable NAV format, a variable NAV fund can provide the transparency necessary for investors to make an informed risk, return and redemption decision. Importantly, it will treat all investors fairly during times of stress. This transparency is essential in providing investors timely information that promotes gradual asset flows rather than large and sudden redemption runs, a phenomenon exacerbated by the fact that amortized cost accounting rules can embed realized losses in the fund that are not reflected in the NAV. To avoid having to absorb these embedded losses, investors have the incentive to redeem early.

Comparisons

Comparisons have been made to European style money market funds and ultra short bond funds as a guide to assess whether a variable NAV money market fund could reduce the likelihood of a fund experiencing a run during times of stress. We would caution that any direct comparison between these assets classes and stable money market funds must be examined closely. First and foremost, the variable NAV structure prevalent in many European money market funds is based on a system of accumulating dividends, not the use of a mark to market accounting system. Secondly, one of the weaknesses addressed through the European Fund and Asset Management Association (“EFAMA”) and the Committee of European Securities Regulators (“CESR”) in the European style of money market funds was the lack of standardization in the definition of money market funds and the broad investment policies across EU member states. Therefore, drawing parallels to the return or redemption experiences within these funds and those in the proposed variable NAV Rule 2a-7 money market funds is not entirely accurate due to the differences in the duration of time and the magnitude of the redemption experiences. Taking a closer look at the experiences, one could reach the opposite conclusion that a variable NAV structure can, and in fact *has,* operated as intended during times of market stress in a manner consistent with minimizing systemic risk. In addition, a two-tiered system of money market funds will mirror the recommendations made by the CESR, effectively creating a U.S./ European standard definition of a money market fund encompassing the two largest money market fund systems in the world. This will add to the liquidity and reduce the migration of assets to off shore or unregulated structures.

*Success of two-tiered system depends on extended Rule 2a-*7 guidelines

The success of a two-tiered money market fund system is dependent on the ability to have a variable NAV product regulated under a broader extension of Rule 2a-7 guidelines.

- First, a defined Rule 2a-7 eligible universe and regulatory oversight ensures the system avoids the pitfalls experienced by enhanced cash funds and ultra short bond funds where broad investment policies historically permitted a wide range of instruments from sub-prime mortgages with amortizing maturities to structured finance capital notes.
- A common definition will add to regulatory stability and aid in the investor education process necessary to the success of the strategy.
- In addition, a more flexible set of investment requirements could provide investors with the opportunity for increased yield. This would facilitate the ability of investors to segment cash investments based on their risk tolerance and provide them with the risk mitigation features and transparency necessary to understand and monitor the associated risk.
- While the U.S. money market system is a powerful funding source for corporations and governments, under amended Rule 2a-7 guidelines, the effectiveness of this funding source is diminished by the bias towards extremely short funding it provides. This has the effect of creating supply / demand imbalances and the unintended consequence of diminished diversification and a migration of assets to alternative, unregulated solutions.

Expanded set of tools available to the money market fund manager

While no liquidity product is immune from the potential for sustained redemptions or a general aversion to the asset class, we believe a variable NAV structure is well equipped to deal with a stress situation and ensure shareholders are treated equitably. With a variable NAV structure, portfolio managers have greater flexibility to meet the fund's investment objectives during times of stress as their investment decisions would not be potentially biased by the consideration of accounting treatment of realized losses. In the potential circumstance of deteriorating credit quality of a single or multiple issuers, the value(s)will already be reflected in the daily pricing of the fund and, therefore, should not be a factor in liquidating these positions and reducing the susceptibility to further credit migration. Secondly, transparency in market prices is beneficial to the recovery of stressed markets if the investment vehicle's yield reflects lower market prices. A variable NAV structure reflects an increased yield during market price declines and positive price movement resulting from flight to quality assets in times of market stress. These are healthy correction mechanisms that would apply to the variable segment of the money market fund universe.

Conclusion: Two-tier system offers benefits to issuers and investors

DIMA believes in a two-tier system that preserves a stable NAV format and the associated proposals that may strengthen their ability to meet their investment objectives. The stable NAV money fund's $1.00 price makes practical many of the services that both institutions and retail investors have come to rely on, such as brokerage sweeps, check writing and debit card transactions. DIMA agrees with the Investment Company Institute's Money Fund

Working Group that a stable $1.00 price per share is the central element of money market funds to certain investors. We also support the proposal to create a "two-tier" solution for the reasons outlined above.

In a sense, variable NAV funds, as outlined in the PWG Report, will take on a dual role of creating a healthier funding source for high quality global corporations and governments while providing investors a highly regulated, well-defined investment vehicle to properly segment their cash investments according to their liabilities and risk tolerance. In addition, a two-tiered system of money market funds will mirror the recommendations made by the CESR effectively creating a US/ European standard definition of money market fund encompassing the two largest money market fund systems in the world. This will improve liquidity and reduce the migration of assets to off-shore or unregulated structures. DIMA believes that taking a more comprehensive approach to money market fund reform that considers the broad regulatory reforms which will affect the money markets globally will have a greater likelihood of achieving the Commission's goals.

We appreciate the opportunity to comment on certain of the options discussed in the Report and strongly urge the Commission to consider amending Rule 2a-7 to permit both stable and variable NAV money funds, with somewhat different requirements for each. Ultimately, DIMA believes investors should be given this choice and will be adequately protected by either the recently enacted tighter restrictions in a stable NAV money fund or the added transparency and risk-mitigating benefits of a floating or variable NAV money fund.

Please do not hesitate to contact us should you have any questions.

Sincerely,

Joseph W. Sarbinowski Managing Director	Kevin E. Bannerton Managing Director	Joseph Benevento Managing Director

[Filed Electronically]