



Crane Data LLC
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January 10, 2011

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

Re. File # 4-619

Comment Letter to the S.E.C. on the Money Market Fund Reform Options

Dear Ms. Murphy:

I appreciate the opportunity to weigh in on the recently released "***Report of the President's Working Group on Financial Markets: Money Market Fund Reform Options***" and offer my opinion and thoughts on the future of money market mutual fund regulations. I have been writing about and tracking money market mutual funds for 17 years and currently run **Crane Data LLC**. Our ***Money Fund Intelligence*** newsletter has covered the money market mutual fund industry since its launch in 2006, and our website, www.cranedata.com, offers daily news about money market funds.

Crane Data believes that most of the options laid out by the PWG report, particularly the floating NAV and special purpose bank options, would cause much more harm than good. These alternatives would not remove or seriously reduce the risk of a widespread panic or run in financial markets, and they likely would cause large disruptions to investors and recipients of funding in the money markets.

I believe the floating rate, as well as the dual system options, would actually increase the likelihood of market runs and panics by highlighting very small losses in supposedly conservative investments. In fact, we feel this was the very trigger of the recent Subprime Liquidity Crisis. As small losses and freezes began, investors lost faith in supposedly conservative investments, such as ultra-short bond funds, auction rate securities and "enhanced cash" funds. Subsequent runs from these vehicles caused far more damage than any issues with underlying mortgage or bond investments.

Crane Data thinks that the private liquidity facility represents the only safe and sane option for making money market funds safer. Insurance would be an attractive option, but this likely presents too many challenges in implementing. Below, we discuss the results of a recent ***Money Fund Intelligence*** subscriber survey on these issues.

Crane Data recently surveyed subscribers “Report of the President’s Working Group: Money Market Fund Reform Options” and about major issues facing money market funds. Subscribers unsurprisingly oppose and believe that a floating NAV would be the most harmful option discussed in the PWG report. **Money Fund Intelligence e-mailed a link to the survey questions to our 1,000+ readers, and we also posted the survey link on our website.** We received 26 responses. Respondents included primarily money fund managers and sales professionals, but also a number of money fund investors and others. We review our survey findings below.

Money Fund Intelligence Subscriber Survey: Regulatory Reforms and the 2011 Outlook

1. This question is in regard to the U.S. Treasury’s long-awaited **“Report of the President’s Working Group on Financial Markets: Money Market Fund Reform Options”** paper, which details “a number of options for reforms related to money market funds.” **Which of the options do you think is the best alternative for money market mutual fund regulation?**

- Floating net asset values (8%), - Private emergency liquidity facilities for MMFs (50%), - Mandatory redemptions in kind (4%), - Insurance for MMFs (15%), - A two-tier system of MMFs with enhanced protection for stable NAV funds (27%), - A two-tier system of MMFs with stable NAV MMFs reserved for retail investors (4%), - Regulating stable NAV MMFs as special purpose banks (4%), - Enhanced constraints on unregulated MMF substitutes (23%), - Other, please specify (8%).

2. **How would you rank these options for Money Market Fund Regulatory Reform?** (10 being the highest) - Floating net asset values (2.2 avg.), - Private emergency liquidity facilities for MMFs (6.3), - Mandatory redemptions (3.4), - Insurance (4.8), - A two-tier ... stable NAV funds (4.5), - A two-tier system ... retail investors (3.2), - Regulating ... as special purpose banks (2.8), - Enhanced constraints (5.3).

3. **Which of these options do you think would do the most harm?** - Floating net asset values (88%), - Private emergency liquidity facilities (8%), - Mandatory redemptions in kind (20%), - Insurance for MMFs (20%), - A two-tier system of MMFs with enhanced protection for stable NAV funds (8%), - A two-tier system of MMFs with stable NAV MMFs reserved for retail investors (16%), - Regulating stable NAV MMFs as special purpose banks (32%), - Enhanced constraints on unregulated MMF substitutes (0%), Other (0%).

4. **On a scale of 1 to 10 (highest), how important is the \$1.00 stable value to money market mutual funds?** - 9.8 was the average score.

5. **What is the most important issue facing money market funds today?**

- Regulatory changes (56%), - Consolidation (8%), - Ultra-low interest rates (60%), - Rising rates (0%), - Competition from banks or new products (16%), - Other (4%).

6. **What is your outlook for the future of money market mutual funds?**

- Very bearish (0%), - Bearish (36%), - Neutral (16%), - Bullish (48%), - Very Bullish (0%).

7. **How much do you expect money fund assets to increase or decrease in 2011?** - Decrease by over 20% (4%), - Decrease by 10-20% (32%), - Decrease by 0-10% (16%), - Little or no change (8%), - Increase by 0-10% (28%), - Increase by 10-20% (12%), - Increase by over 20% (0%).

8. What is your title or job function? - Money fund portfolio manager, analyst or trader (40%), - Money fund sales or marketing (8%), - Money fund business development or board (8%), - Money market security issuer or dealer (4%), - Money fund investors (16%), - Money fund service provider (4%), - Money fund rater or regulator (8%), - Other (20%).

I'd be happy to discuss these results and issues in more detail. Crane Data appreciates the time and effort put into these difficult issues by regulators and industry participants, and we wish you luck in finding a solution that decreases the risks of money funds but preserves their positive qualities.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter G. Crane', with a stylized flourish at the end.

Peter G. Crane
President & Publisher