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September 17, 2013

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

SEC Release No. 33-9408, IA-3616; IC-30551; File No. S7-03-13
Money Market Fund Reform; Amendments to Form PF

Dear Ms. Murphy:

We appreciate the opportunity to respond to the Securities and Exchange Commission's ("SEC" or "Commission") request for comments about its proposed rule, *Money Market Fund Reform; Amendments to Form PF* (the "Proposal" or the "Proposed Rule"). We have limited our comments to certain aspects of the Proposal that impact financial reporting. Our comments and observations relate to the following areas:

- Classification of an investment in a money market fund as a "cash equivalent"
- Financial statements of sponsors

Classification of an investment in a money market fund as a "cash equivalent"

In its proposing release, the Commission raised a question as to whether the use of a floating net asset value (NAV) would preclude money market funds from being classified as cash equivalents under U.S. generally accepted accounting principles (U.S. GAAP). The Commission also asked whether an investment in a money market fund that combines a floating NAV with liquidity fees and gates would continue to be treated as a cash equivalent under U.S. GAAP.

U.S. GAAP defines cash equivalents as "short-term, highly liquid investments that are readily convertible to known amounts of cash and that are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates" and includes a money market fund as an example of a cash equivalent¹.

In the proposing release, the Commission stated it believes that, except for events that may give rise to credit and liquidity issues for money market funds and shareholders, an investment in a money market fund with a floating NAV would meet the definition of a "cash equivalent."² In

¹ See Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") paragraph 305-10-20.

² See Proposing Release, Section III.A.6 subparagraph (b), *Accounting Implications*, page 121, 122.

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the proposing release, the Commission also states that, except in certain circumstances, it expects the value of floating NAV funds with liquidity fees and gates would be substantially stable and should continue to be treated as a cash equivalent under U.S. GAAP.³

We agree with the Commission that, under normal market conditions, U.S. GAAP would not preclude a money market fund with a floating NAV from being classified as a cash equivalent. We also agree with the Commission that, under normal market conditions, the ability to impose liquidity fees and gates combined with a floating NAV would not preclude such fund from being classified as a cash equivalent under U.S. GAAP. Consistent with the current reporting requirements for the classification of investments in money market funds under U.S. GAAP, there may be circumstances, such as instability in the financial markets and defaults on underlying securities, where the money market fund may not be highly liquid and may not meet the criteria to be classified as a cash equivalent. The classification of any financial instrument as a cash equivalent requires judgment and is based on a variety of facts and circumstances present as of the date of the financial statements.

Financial statements of sponsors

The Commission has requested comment on whether fund sponsors should publicly disclose their financial statements instead of, or in addition to, requiring funds to disclose historical information about financial support received from a sponsor or fund affiliate in order to permit non-shareholders to evaluate the sponsor's capacity to provide support.

The Commission has rules and practices for the inclusion of financial statements when a guarantee or credit enhancement exists. We believe the Commission should consider its existing rules and practices and consistency with other industry reporting requirements when determining whether the financial statements of a fund sponsor should be required.

* * * * *

If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Jon Fehleison at (212) 909-5491 or John Russo at (212) 954-2623.

Very truly yours,

KPMG LLP

³ See Proposing Release, Section III.C.4 subparagraph (e), *Other Issues*, page 246.