Reich & Tang

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September 17, 2013

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

Re: Money Market Fund Reform; Amendments to Form PF
Release No. IC-30551; File No. S7-03-13

Dear Ms. Murphy:

Reich & Tang Asset Management, LLC ("Reich & Tang") would like to thank the Securities and Exchange Commission (the "Commission") for the opportunity to comment on its most recently proposed money market mutual fund reform alternatives.

While we maintain that the Commission's 2010 reforms sufficiently reduced vulnerability to systemic risk and increased shareholder protections, our comments and recommendations in this letter focus on a few specific issues that we feel will maintain the integrity of money market mutual funds as a globally important and necessary investment and lending mechanism.

Further, Reich & Tang maintains its longstanding position that shareholder education and complete transparency is unquestionably the most important first step in alleviating many of the challenges that the Commission's proposed alternatives endeavor to address.

Liquidity Fees and Gates

We are pleased the Commission has acknowledged that the disruptions to the short-term markets during the 2008 financial crisis, particularly after Lehman's failure, were heavily influenced by massive redemptions in institutional share classes of prime money market funds. We believe that if any additional reform measures are to be implemented, it is critical that they mitigate systemic risk and avoid a repeat of that same situation.

While we applaud the SEC for recognizing this and delivering proposals that clearly differentiate between retail and institutional investors, any reform measure must consider the unintended consequences or potential "cause and effect" that will ultimately impact all shareholders. Therefore, we strongly believe that imposing liquidity fees and gates are the preferred method of additional money market mutual fund reforms for prime money market funds.

As a manager with a large retail shareholder base, Reich & Tang is concerned that the Floating NAV proposal for prime and tax-exempt institutional money market funds will not eliminate the potential for another "run" on money market funds, leading to another freeze-up in the short term cash markets that would directly impact all investors.

While September 2008 was a rare event, to the extent that history does repeat itself, we believe that imposing liquidity fees and gates would allow for a "cooling off" period where investors, issuers, and sponsors can take a pause and let the market find its natural balance. These reforms will help to prevent large scale redemptions, which in turn would reduce the need for wholesale selling, and therefore help to prevent the market from ceasing.

In addition, we recommend that the Commission expand the circumstances under which a Fund Board of Directors may impose a liquidity fee or temporarily suspend redemptions to situations when heavy redemptions are already underway or are clearly foreseeable.

Floating Net Asset Value

As stated above, forcing funds to float their NAVs does not eliminate the main risk that is driving this reform discussion, which is how to prevent a run on money market funds. This is evidenced by investor psychology in times of crisis.

Institutional investors instinctively seek to lock in profits, minimize downside risk, and take flight to lower risk investments, all of which equate to redeeming money fund shares. A floating NAV will not alter this behavior and we are concerned that this pattern will be repeated in the next crisis at great expense to retail shareholders. When forced selling occurs in short-term fixed-income markets and liquidity is reduced to a point where pricing becomes significantly impaired, floating NAV funds will see a dramatic drop in their net asset values. We believe that the utilization of liquidity gates handles this issue more effectively than a floating NAV.

Further, a floating NAV will blur the line between a money market mutual fund and an ultra-short bond fund, with the latter not having the protections afforded by Rule 2a-7. We fear that the floating NAV will unnecessarily push investors further out on the risk spectrum, and given the recent history and significant losses associated with ultra-short products, we do not feel this change serves to protect the capital of money fund shareholders.

In addition, the use of a floating NAV could also have the unintended consequence of concentrating fund sponsorship among a few "too big to fail" providers. We believe this may occur for the following reasons:

> 1) It will be operationally difficult and cost prohibitive for most fund sponsors to segregate their retail and institutional shareholders into two separate funds, therefore increasing the probability they will leave the business, and;
>
> 2) Institutional investment mandates often require that money be invested in very large funds, typically with a minimum of $5-$10 billion in assets under management for diversification purposes. This in turn will drive money out of smaller fund complexes.

This concentration will create greater systemic risk that otherwise doesn't exist in today's more broad multi-sponsor environment.

Lastly, while we support the Commission's recognition that its proposals should be targeted, and appreciate that it has proposed to exempt "retail" funds from the floating NAV requirements, we reiterate our belief that it is counterproductive. However, if enacted, we concur with the ICI's recommendation in their comment letter dated September 17, 2013, that the Commission's proposal to define retail funds through a redemption limit would be more onerous operationally and less investor-friendly than other methods. We are more inclined to support a maximum account balance limit, which would be more beneficial to investors, intermediaries, and fund sponsors.

To the extent that the Commission moves forward with the use of a floating NAV and defining “retail” by a daily liquidity maximum, we strongly suggest that consideration be given to increasing the daily liquidity maximum beyond the stated $1 million. While we believe that this proposed maximum will not affect the majority of retail shareholders, there are high net worth individuals as well as small corporate, pension, and municipal customers that will be marginalized unnecessarily as they do not have the same volatility profile of much larger institutions,

e.g. Fortune 500 companies. There is no evidence in our opinion that middle market institutional customers and large retail investors behave any differently than traditional small retail investors. We also agree with the ICI’s recommendation that the Commission consider defining accounts invested in money market funds through tax-advantaged savings accounts as *per se* retail investments.

Transparency
As we have long maintained, the necessity for reform measures can be significantly diminished with shareholder education and increased transparency. Making the argument is not an endorsement for additional reform, rather a message to our peers whom favor providing additional value to shareholders by way of transparency. For example, the SEC requires money market mutual funds to post portfolio holdings at least monthly. Reich & Tang and certain other fund sponsors opt to provide this information to shareholders daily. Similarly, posting mark-to-market NAVs daily, while not required, is being done and we commend those that offer this increased level of transparency.

Transparency can be demonstrated via any mechanism in which fund sponsors share more information about their funds with shareholders. Reich & Tang remains the only fund sponsor that we are aware of that posts its approved issuer list for its prime money market mutual funds on a daily basis. This voluntary dissemination of information educates the shareholder as to a fund’s composition and provides greater insight into our investment decision process, which assists an investor’s due diligence in selecting an appropriate investment given their risk profile.

Anticipating that reform alternatives would highlight the distinctions between retail and institutional shareholders, Reich & Tang utilizes third party data to track the compositional makeup of its prime funds as a percentage of institutional and retail shareholder assets. We believe this information helps financial advisors and fund investors to more efficiently manage risk. As the differentiation between retail and institutional shareholders is brought to the fore via the Commission’s proposed alternatives we would expect more shareholders to seek this information as a metric in their due diligence and risk management processes.

We would like to thank the Commission for the opportunity to provide these comments and appreciate its consideration as we collectively strive for resolution that is in the best interest of the money fund industry and the shareholders we serve. Please do not hesitate to contact us if you feel we may be able to provide additional information or answer any questions you may have.

Sincerely,

Michael P. Lydon

Michael P. Lydon
Chief Executive Officer
Reich & Tang