



1301 Second Avenue  
Seattle, WA 98101

tel 206-505-7877  
fax 206-505-3495  
toll-free 800-426-7969

[www.russell.com](http://www.russell.com)

September 17, 2013

VIA ELECTRONIC TRANSMISSION

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

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

Dear Ms. Murphy:

This letter is respectfully submitted in response to the request for comments by the Securities and Exchange Commission ("SEC") in its June 5, 2013 proposing release referenced above (the "Proposing Release").<sup>1</sup> The Proposing Release proposes amendments to Rule 2a-7 under the Investment Company Act of 1940, as amended (the "1940 Act"), and certain other rules that govern money market mutual funds ("money market funds"). The Proposing Release includes two key alternatives (which could be enacted in a final rule separately or in combination): (i) requiring "institutional" money market funds to operate with a floating net asset value ("NAV"), rounded to the fourth decimal place ("Alternative 1") or (ii) requiring money market funds (other than government money market funds) to impose liquidity fees during times of stress and allowing money market funds to suspend redemptions during such times ("Alternative 2" and together with Alternative 1, the "Alternatives").

Founded in 1936, Russell Investments is a global asset manager and offers actively managed multi-asset portfolios and services that include advice, investments and implementation using the firm's core capabilities that extend across capital market insights, manager research, portfolio construction, portfolio implementation and indexes. Headquartered in Seattle, Washington and with offices in major financial centers worldwide, Russell has approximately \$237 billion in assets under management (as of June 30, 2013) in its mutual funds, retirement products and institutional funds.

Russell Investment Management Company ("RIMCo") is an investment adviser registered with the SEC under the Investment Advisers Act of 1940. RIMCo is the investment adviser for each series ("Fund") of Russell Investment Company ("RIC"), Russell Investment Funds ("RIF") and Russell Exchange Traded Funds Trust (collectively with RIC and RIF, the "Investment Companies"). The Investment Companies are registered under the Investment Company Act of 1940, as amended (the "1940 Act"). Each Fund may invest its cash reserves in an unregistered money market fund advised by RIMCo pursuant to Rule 12d1-1

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<sup>1</sup> *Money Market Fund Reform; Amendments to Form PF*; Investment Company Act Release No. 30551 (June 5, 2013).

under the 1940 Act. Additionally, each Fund that lends its portfolio securities invests all or a portion of collateral received in securities lending transactions in an unregistered money market fund advised by RIMCo pursuant to Rule 12d1-1.

### **Rule 12d1-1 and Unregistered Money Market Funds**

We urge the SEC to consider the effect of the Proposing Release on unregistered money market funds that currently conform to the requirements of Rule 12d1-1. These unregistered money market funds serve as valuable cash management vehicles for many registered investment companies, including the Investment Companies. Through Rule 12d1-1, the SEC has provided registered investment companies with the ability to invest in unregistered money market funds that comply with Rule 2a-7. However, some aspects of the proposed amendments to Rule 2a-7 are ill-suited for these unregistered money market funds. Accordingly, we ask that the SEC specify in the final rule that certain provisions of the amended rule are not applicable to unregistered money market funds that serve as cash management vehicles for registered investment companies.

Section 12(d)(1)(A) of the 1940 Act limits the amount one investment company may invest in shares of other investment companies. In 2006, the SEC adopted several rules under Section 12(d)(1) to broaden the ability of an investment company to invest in shares of other investment companies, codifying a number of exemptive orders that had previously been issued by the SEC. One such rule – Rule 12d1-1 – allows investment companies to invest in shares of money market funds in excess of the limits of Section 12(d)(1). Rule 12d1-1(b)(2) provides that investment companies may invest in an unregistered money market fund if the acquiring investment company reasonably believes that the unregistered money market fund, among other things, operates in compliance with Rule 2a-7.

Unregistered money market funds currently are a valuable tool for an acquiring investment company, because such unregistered money market funds are designed to accommodate the significant daily inflows and outflows of cash of the acquiring investment company. Because these funds are privately offered to institutional investors, they frequently can be operated at a lower cost than registered investment companies, providing an attractive investment for a registered investment company's uninvested cash. In order for a registered investment company to continue to invest in unregistered money market funds, the unregistered money market fund would have to comply with any amendments to Rule 2a-7. The Proposing Release does not appear to anticipate the circumstances of these unregistered money market funds, for which compliance with several aspects of the Proposing Release would be difficult, if not impossible.

For example, if Alternative 1 is adopted, an unregistered money market fund would be required to either limit redemptions to \$1 million per day for a single acquiring investment company or adopt a floating NAV. The imposition of redemption limits would effectively eliminate an unregistered money market fund as a cash management tool for all registered investment companies, for which a \$1 million daily redemption limit would be unworkable. Therefore, those unregistered money market funds that are not government funds would be forced to adopt a floating NAV, which would essentially eliminate the unregistered fund as a cash management tool for an acquiring investment company and would seriously reduce the attractiveness of such unregistered funds.

Alternative 2 is also ill-suited for unregistered money market funds, which typically do not have boards of directors. Under Rule 12d1-1, the adviser performs the function of the unregistered fund's board for purposes of compliance with Rule 2a-7. If Alternative 2 is adopted, the adviser would be called upon to

make decisions about liquidity fees and gates, which would present a potential conflict of interest in situations when an affiliated investment company advised by the same adviser would be the redeeming shareholder.

In addition to the unworkability of certain aspects of the Alternatives for unregistered money market funds, we believe the Alternatives should not be applied to unregistered money market funds because these funds do not present the concerns the Alternatives aim to address. Due to the nature of the relationship between these unregistered funds and the investing investment companies, unregistered funds do not present the systemic risk at which the Proposing Release is designed to reduce. Unregistered money market funds are often created solely for investment by the investing investment companies and typically have the same sponsor. Therefore, there is little concern of unforeseeable large-scale redemptions or runs on these funds. Accordingly, we suggest that the SEC provide an exemption from the Alternatives for unregistered money market funds that comply with the substantive provisions of Rule 2a-7.

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If the SEC or its staff would like to discuss the matters mentioned in this letter, please contact Mary Beth Rhoden Albaneze at 206-505-4846.

Sincerely,

/s/ Mary Beth Rhoden Albaneze

Mary Beth Rhoden Albaneze  
Secretary and Chief Legal Officer

Russell Investment Company, Russell Investment Funds and Russell Exchange Traded Funds Trust