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September 17, 2013

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

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

Dear Ms. Murphy:

OFI Global Asset Management, Inc. ("OppenheimerFunds")[1] appreciates the opportunity to respond to the Securities and Exchange Commission's ("SEC") request for comment regarding proposed amendments to rules under the Investment Company Act of 1940, as amended (the "1940 Act"), and related requirements that govern money market mutual funds ("money market funds").[2]

I. Prime and Tax-Exempt Institutional Money Market Funds should not be required to Transact at a "Floating" Net Asset Value per Share ("NAV")[3]

For the reasons set forth below, we believe that requiring prime and tax-exempt institutional money market funds to float their NAVs would negatively impact money market funds and their investors and intermediaries, as well as the ability of corporate and governmental entities to utilize short-term investment products to finance their operations.

First, we believe that the use of a floating NAV would detrimentally alter the signature feature of money market funds that investors have come to know, trust and rely upon over the course of the last forty years, which in turn would have significant collateral consequences for investors. We are concerned that the proposed modifications to money market fund regulations will result in fewer money market funds being offered due to decreased investor demand, with a concomitant reduction in demand for corporate commercial paper and short-term instruments in which they invest, to the

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1 OFI Global Asset Management, Inc., a direct, wholly-owned subsidiary of OppenheimerFunds, Inc. ("OFI"), is a registered investment adviser, providing investment management and transfer agent services to nearly 100 registered investment companies. OFI, with its subsidiaries, has more than $215 billion in assets under management and has been in the investment advisory business since 1960.

2 *See Money Market Fund Reform; Amendments to Form PF*, SEC Release No. IC-30551 (June 5, 2013), 78 FR 36834 (June 19, 2013) ("Release").

3 A floating NAV fund generally sells and purchases shares based on the current market-based value of the securities in the fund's underlying portfolios, such that the fund's NAV fluctuates along with changes, if any, in the value using market-based factors of the fund's underlying portfolio of securities.

detriment of companies and governmental entities that rely on short term paper to meet their operational cash needs.

Second, to the extent the SEC is concerned that investors do not appreciate the market risks of money market instruments, we believe a floating NAV is an inefficient way to educate them about those risks. As in most areas of financial market regulation, disclosure and investor education initiatives are preferable means of creating investor awareness, without the market disruption and additional costs and burdens that a floating NAV will produce.

Third, a floating NAV will create significant operational and systems difficulties and added costs that shareholders will ultimately bear. For example, the use of a floating NAV would require that the fund and its adviser obtain intraday securities data from pricing vendors in connection with supporting a multiple intraday NAV calculation process, that taxable gains and losses with respect to redemptions of fund shares be tracked and reported, and that fund transfer agents and other intermediaries determine which share was redeemed and whether the holding period of that share was long-term or short-term, thus incentivizing investors to move to other products.

In light of the above, we believe that additional disclosure reforms would be a less disruptive and more efficient means of improving the transparency of pricing and risks associated with money market funds than would any requirement to use a floating NAV to achieve the same goal. Instead of a floating NAV, we recommend that the SEC require monthly disclosure of funds' portfolio holdings and other characteristics, combined with the daily disclosure of funds' mark-to-market share prices. This approach would accomplish the SEC's goals of increased transparency regarding the market risks of money market funds and investor protection without eliminating the stable share price that provides so much benefit to investors.

II. Enhancing Stable NAV Money Market Funds' Public Disclosure and Reporting *in lieu* of requiring the use of a Floating NAV

As noted, we believe that requiring money market funds to disclose additional portfolio information and risks to the SEC and investors would be the most effective and useful means of addressing the SEC's concerns and further increasing the transparency of the risks present in money market funds.

A more robust disclosure scheme would educate investors that their money market funds may lose value and thus enhance investors' appreciation of risks associated with money market funds. The alternative, namely the proposal to require money market funds to float their NAVs, would be less instrumental to investors because the marginal fluctuation in money market fund share prices would typically be insufficient to permit investors to observe any appreciable gains or losses. Also, it is not a workable solution to impose a pricing standard on money market funds directly and market intermediaries indirectly that is ten times more onerous than that of other floating NAV mutual funds, including ultra-short bond funds, only to highlight likely insignificant deviations from the fund's stable NAV. We believe that the SEC's 2010 amendments to Rule 2a-7 addressed the key issues associated with the 2008 market events that impacted money market funds at that time, and that imposing the new Rule 2a-7 proposals may simply result in money market fund sponsors ceasing to offer these products to the detriment of investors.

First, we believe that investors could be better informed of the floating nature of a money market fund's value through daily disclosure of the fund's mark-to-market price. Accordingly, we support the SEC's proposed amendments to Rule 2a-7 requiring money market funds to disclose prominently on their websites their current NAVs per share, albeit under existing pricing standards. Under the proposed amendments, money market funds would be required to maintain a schedule, chart, graph, or other depiction on their websites showing historical information about their daily

current NAVs per share for the previous six months (updated daily), and to update that historical information each business day as of the end of the preceding business day.

Second, we support the SEC's proposal to require stable NAV money market funds to disclose prominently on their websites the percentage of the funds' total assets that are invested in daily and weekly liquid assets, as of the end of the previous day, as well as a schedule, chart, graph, or other depiction showing historical information about the funds' investments in daily liquid assets and weekly liquid assets, for a rolling six-month period, updated daily. We believe that doing so would promote additional transparency and encourage investors to better understand the risks associated with money market funds.

Third, we support the SEC's proposal to require money market funds to disclose current and historical instances of sponsor support for stable NAV funds, provided that the definition of "financial support" for purposes of the required disclosures be modified to exclude, for example, the reporting of routine fund matters, such as the purchase of fund shares, any fee waiver or other similar event. These modifications to the definition of "financial support" are necessary to ensure that such disclosures are meaningful and understandable to investors.

Fourth, to permit regulators to more accurately compare the information on Form PF with money market funds' monthly Form N-MFP filings, we support the SEC's proposal to amend Form PF to require large liquidity fund advisers (*i.e.*, registered advisers with $1 billion or more in combined money market fund and liquidity fund assets) to file virtually the same information with respect to their private liquidity funds' portfolio holdings on Form PF as money market funds are currently required to file on Form N-MFP. However, due to the complexity and quantity of data required in producing such reports, we do not believe that the frequency of such Form PF filings should be the same as that for Form N-MFP filings (*i.e.*, Form PF filings should not be required to be filed monthly – they should continue to be filed quarterly), nor do we believe that Form PF reports should be publicly disseminated, given the private nature of such liquidity funds.

For the reasons set forth above, we believe that additional disclosure reforms would be a less disruptive and more efficient means of improving the transparency of pricing and risks associated with money market funds than would any requirement to use a floating NAV.

III. Amortized Cost Valuation

We believe that money market funds should continue to be able to utilize the amortized cost method of valuing portfolio securities to maintain a stable NAV for all securities, not just those maturing in 60 days or less. Accordingly, we do not support the proposal to amend Rule 2a-7 to rescind certain exemptions that have permitted money market funds to maintain a stable price by use of amortized cost valuation and penny-rounding pricing of their portfolios. We believe that the use of amortized cost to maintain a stable NAV for money market funds facilitates the current same-day settlement process that is key to investor interest in these products. If money market funds are able to use amortized cost valuation only to the same extent as other mutual funds (*i.e.*, only in connection with fair valuing debt securities with remaining maturities of 60 days or less), such funds will likely not be able to offer same day settlement because advisers and intermediaries will likely not be able to obtain intra-day market prices for portfolio securities and calculate intra-day floating NAVs.

IV. Definition of "Retail" Funds and Responsibilities of Intermediaries with Omnibus Accounts; Exemption for Retirement and Education Accounts

The SEC's proposal defines a "retail" fund as a money market fund that does not permit a shareholder to redeem more than $1 million in a single business day. Some commenters have proposed other measures or standards related to account size, date of account inception, or account $AUM. For us, the key is that the measure or standard chosen be readily determined *by the intermediary that maintains the account* and easily communicated to the fund transfer agent or other market intermediaries who must use that information to impose any redemption fee or other restriction under the proposed modifications.

Cognizant that intermediaries are moving largely to omnibus account relationships with fund providers, the SEC proposes to permit omnibus accounts to exceed the $1 million redemption limit so long as funds have policies and procedures reasonably designed to allow the conclusion that the intermediary implemented the limit on underlying accounts. As the SEC is aware, multiple levels of omnibus accounts frequently are included in a single omnibus account held by a fund's transfer agent or other intermediary. Currently, fund transfer agents and other intermediaries typically have no transparency into those underlying omnibus accounts (*i.e.*, no information concerning the actual account beneficial owners) and are unable to obtain such information from the omnibus account holders due to privacy concerns and non-disclosure obligations and other considerations. If the SEC moves forward with the proposed definition of a "retail" fund based on a daily redemption limitation or other approach, we believe that the SEC should require intermediaries that maintain omnibus accounts to impose the proposed fund redemption limit for their omnibus or intermediary controlled accounts and should not hold the fund responsible for an intermediary's failure to limit their clients' redemption requests to conform to a fund's restrictions on per-day redemptions or other requirements.

We also believe that retirement accounts, such as individual retirement accounts, variable annuity and variable product accounts, employer-sponsored defined contribution retirement plans (*e.g.*, 401(k) plans and 403(b) plans), education accounts (*e.g.*, 529 college savings plans), and health savings accounts should either be exempted from any final modifications to Rule 2a-7 or allowed unlimited redemptions, given the beneficial nature of these types of accounts to investors, the incompatibility of the SEC's Rule 2a-7 proposals with ERISA rules and the minimal risks in these types of accounts.

V. Potential Combination of Floating NAV and Liquidity Fee / Temporary Gate Proposals

The Release contemplates that the two fundamental reform alternatives could be adopted alone or in combination. For the reasons noted above, we oppose the floating NAV proposal. We oppose the liquidity fee/temporary gate proposal for similar reasons. It is unclear to us how "retail investors" would benefit from having to pay a "redemption fee" to get their money back from a "retail" money market fund or to be prevented or "gated" from getting their money back from such a fund when cash is most needed by an investor to purchase a home or pay educational or medical expenses, for example. Moreover, we are concerned that in a "retail" money market fund, there will be those investors who are savvy or lucky enough to exit the fund prior to the imposition of a redemption fee or gate and impose their exit costs on the remaining "retail" investors in the fund.

We therefore strongly oppose the combination of the two proposals. We do not believe that any rational investor would purchase a fund that is saddled with the combination of a floating NAV, the prospect of having to pay a fee to redeem shares or of being prohibited from temporarily redeeming any share, and the strict portfolio requirements imposed by Rule 2a-7 when other, less onerous, options are readily available.

VI. Establish Exemption for Private Liquidity Funds under Rule 2a-7 from any Floating NAV, Redemption Fee or Gate Requirement

As the SEC is aware, Rule 12d1-1 permits a fund to invest in a registered or unregistered[4] fund that complies with Rule 2a-7, in excess of the limits of section 12(d)(1) of the 1940 Act and under exemptions from sections 17(a) and 17(d) and Rule 17d-1 thereunder. Rule 12d1-1 was designed to allow funds to employ cash sweep arrangements where all or a portion of a fund's available cash is invested in a money market fund instead of being directly invested in short-term instruments.

To ensure that funds may continue to invest in a fund that complies with Rule 12d1-1, we strongly suggest that the SEC's modifications to Rule 2a-7 permit any fund that seeks to comply with Rule 12d1-1 to transact in fund shares at a stable NAV and not be subject to any floating NAV or the imposition of any redemption fee or gate, as currently proposed by the SEC. Failure to address this potential unintended consequence will likely have a detrimental impact on funds' access to liquidity and to their shareholders.

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We appreciate the opportunity to provide comments on this important issue.

Respectfully submitted,

/s/ Ari Gabinet
Ari Gabinet
Executive Vice President &
General Counsel

cc: John Ramsay, Acting Director
Division of Trading and Markets
U.S. Securities and Exchange Commission

Norm Champ, Director
Division of Investment Management
U.S. Securities and Exchange Commission

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4 Unregistered money market funds are typically organized by a fund adviser for the purpose of managing the cash of other funds in a fund complex and operate in almost all respects as a registered money market fund, except that their securities are privately offered and thus not registered under the Securities Act of 1933. *See Fund of Funds Investments*, SEC Release No. IC-27399 (June 20, 2006), 71 FR 36640 (June 27, 2006).