ES150928

From:	Kathryn Kerle
To:	CHAIRMANOFFICE
Subject:	Money market fund reform
Date:	Sunday, November 17, 2013 8:29:59 AM

Dear Chairman Shapiro,

I have read with some dismay of the opposition you face in introducing meaningful reform to the money market fund sector. While head of Moody's European fund rating team, I had occasion to think about the risks of money market funds. In my view, they are essentially banks, but banks without capital, access to liquidity or meaningful regulation. Further, unlike banks, they do not benefit from any long-term sources of funding. As a result, the liquidity risk they represent is arguably higher than that of regulated banks. By maintaining the fiction that they are safe, these funds put depositors, borrowers and, indeed, the entire US economy at risk. However, I fear that the introduction of a floating NAV, while an improvement over the existing fixed $1.00 NAV, will not reduce the risk of investment materially. I am mindful of a number of European bond funds, all of which had floating NAVs, which during the crisis of 2008 nonetheless experienced runs ... or would have, were it not for the timely intervention of their sponsors.

It is high time we put these free floating deposits back on the balance sheets of the banks that sponsor them and regulate them as the bank deposits that they are. I therefore encourage you to persevere in your efforts to reduce the risks they represent.

Kind regards,

Kathryn Kerle