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February 22, 2016

Mr. Andrew Donohue  
Chief of Staff  
Office of the Chair  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: Need to Amend SEC Rule 15c3-3 to Permit the Use of U.S.  
Government Money Market Funds**

Dear Buddy:

Thank you for meeting with us to discuss broker-dealers' vital need for a third alternative, i.e., U.S. government money market funds, to meet their SEC Rule 15c3-3 bank deposit requirements. As you know, cash and U.S. Treasuries, presently the only two permitted deposits under the customer cash segregation requirements of Rule 15c3-3, are under significant market stress. Banks are either rejecting or charging a fee for large cash deposits and U.S. Treasuries are becoming more difficult for broker-dealers to acquire and are operationally inefficient. Permitting the use of U.S. government money market funds under Rule 15c3-3 as a third alternative would significantly alleviate these problems.

As discussed, there is very little the Commission needs to do in order to provide this vitally important third alternative to broker-dealers. Specifically, the currently pending Rule 15c3-3 amendment, providing the option to utilize U.S. government money market funds, awaits a vote by the Commission. In March 2007, the Commission formally proposed to offer the third alternative to broker-dealers under Rule 15c3-3 by expanding the definition of "qualified securities" to include an unaffiliated money market fund that: (1) is described in Rule 2a-7 of the Investment Company Act of 1940; (2) invests solely in securities issued by the United States or guaranteed by the United States as to interest and principal; (3) agrees to redeem fund shares in cash no later than the business day following a redemption request by a shareholder; and (4) has net assets equal to at least 10 times the value of the shares deposited by the broker-dealer in its customer reserve account ("U.S. Government Money Market Fund").<sup>1</sup>

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<sup>1</sup> See Amendments to Financial Responsibility Rules for Broker-Dealers, Proposed Rule, 72 Fed. Reg. 12861 (Mar. 19, 2007).

The Commission has issued this proposed amendment for public comment twice (in March 2007 and again in July 2012). The proposed expansion to include U.S. Government Money Market Funds received comments of unanimous support from the industry which were summarized and presented to the Commission in an August 2013 open meeting. Broker-dealers have also, through calls to the SEC Division of Trading and Markets, individually expressed their need for the third alternative, and in numerous conversations on the proposed amendment, no concerns have been raised by the SEC Division of Trading and Markets or the Office of the Chairwoman with regard to the purpose, structure or language of this amendment.

Nevertheless, the Commission thoughtfully determined to defer the adoption of the proposed amendment until after the then-pending amendments to money market funds were adopted by the Commission.<sup>2</sup> In August 2014, the Commission concluded its review of money market funds with the adoption of money market fund reform amendments. In the adopting release, the Commission provided careful analysis of U.S. government money market funds and confirmed their stability and strength.<sup>3</sup>

Now without further delay (and with exceedingly minimal time and effort on the part of the Commission and its Staff) the pending proposal to amend Rule 15c3-3 to include U.S. Government Money Market Funds should be adopted. The proposal is ready and waiting for a vote by the Commission. We ask that the Commission vote.

We appreciated your efforts to bring this small but vitally important amendment to completion.

Sincerely,



Lee A. Pickard

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<sup>2</sup> See Financial Responsibility Rules for Broker-Dealers, Final Rule, 78 Fed. Reg. 51824, 51843-44 (Aug. 21, 2013).

<sup>3</sup> See Money Market Fund Reform, Final Rules, 79 Fed. Reg. 47736 (Aug. 14, 2014).