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Congress of the United States House of Representatives

GREGORY W. MEEKS
6TH DISTRICT, NEW YORK

October 14, 2011

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-6628

Dear Chairman Schapiro:

I am writing to follow up on our conversation last August on a proposal for a no-action letter that would enable broker-dealers to fund their SEC Rule 15c3-3 special reserve accounts for customers with shares of money market funds that only invest in Treasury securities. This proposal would provide an alternative to managing a portfolio of Treasury securities or placing cash at banks for purposes of funding the special reserve account, and thus create several benefits and efficiencies for our financial system.

There are obvious benefits to granting the relief. Broker-dealers are operating under a rule adopted by the Commission in 1972, which permits them to deposit only cash or Treasury securities in these accounts. Allowing broker-dealers to use money market funds that restrict their investments to only Treasury securities – which broker-dealers are permitted to hold directly – will:

- a) reduce the operational inefficiencies of assembling, and constantly buying and selling a portfolio of Treasury securities;
- b) reduce the complexity and the opportunity for error; and
- c) give broker-dealers greater efficiency in their ability to maintain the appropriate level of deposits in the reserve account.

When you and I recently spoke, you mentioned that the Commission and other financial regulators are continuing to review proposals relating to money market mutual funds. I have reviewed recent reports and believe there is no question about the reliability of money market funds that invest only in U.S. government securities. Indeed, as the President recently pointed out, the financial markets continue to confirm that U.S. debt is among the safest in the world. Certainly, money market funds that invest solely in those securities present no credit risk.

Moreover, U.S. government money market funds had more than enough liquidity to meet the temporary outflow during the recent debt ceiling negotiations, and investors have been flocking

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back to those funds in amounts exceeding the earlier withdrawals. This demonstrates both confidence in the funds and in their underlying investments. It also demonstrates the importance of U.S. government money market funds as an investment alternative, particularly in turbulent times.

As you know, a request for no action relief can be granted by the Division Staff, as it has done on prior occasions in granting no action or interpretive relief to augment the types of assets a broker-dealer may deposit in its special reserve account. Of course, this approach does not foreclose Commission action in the future on other broker-dealer financial responsibility rules, when workload permits. I know of no objection to granting this relief, and thus hope the request will be acted upon promptly.

I greatly appreciate your attention and your efforts to move this forward.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gregory W. Meeks".

Gregory W. Meeks
Member of Congress

cc: The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
The Honorable Elisse B. Walter, Commissioner