WELLS FARGO ADVANTAGE FUNDS

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September 8, 2009

Ms. Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-1090

RE: Money Market Fund Reform
File Number S7-11-09

Dear Ms. Murphy:

Wells Fargo appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") proposal (the "Proposal") set forth in Release No. IC-28807 (the "Release"). The Proposal seeks to make certain revisions to Rule 2a-7 and other provisions under the Investment Company Act that govern money market funds.

Following Wells Fargo's acquisition of Wachovia Corporation earlier this year, subsidiaries of Wells Fargo advise and distribute both the *Wells Fargo Advantage* and *Evergreen* fund families. As part of a company that has been guided by steadfast principles for more than 150 years, the *Wells Fargo Advantage Funds* and the *Evergreen Funds* seek to offer clients a solid combination of investment expertise and corporate integrity. As of August 31, 2009, the *Wells Fargo Advantage Funds* and the *Evergreen Funds* had a combined total of approximately $222.5 billion in assets under management across a broad spectrum of investments. The two fund families offer a diverse set of money market funds across multiple distribution platforms. Assets under management in our advised money market funds total approximately $169.3 billion as of August 31, 2009, making Wells Fargo one of the ten-largest U.S. money market mutual fund providers in the industry.

Wells Fargo recognizes that one of the goals of the Commission's Proposal is to reinforce conservative investing across the broader industry. In managing the *Wells Fargo Advantage* and *Evergreen* money market funds, our security selection process emphasizes conservative investment choices and all of our money market funds maintain an approach to investing that prioritizes the preservation of capital and liquidity. As such, the spirit of the SEC reforms aligns well with our own philosophy on money market investing, and we are pleased to share with the Commission our thoughts on the Proposal.

I. <u>Summary</u>

We strongly support the Commission's goal of strengthening the resiliency of money market funds through enhanced liquidity and improved credit quality. Money market funds have long played an important role in our nation's economy, providing both retail and institutional investors with a liquid and stable investment option, while at the same time providing a vital source of funding to businesses and municipalities. The recent financial crisis has, however, exposed certain shortcomings in Rule 2a-7, and we appreciate the Commission's diligent and timely efforts to improve the regulation of money market funds. To that end, we agree with many aspects of the Proposal, particularly the establishment of a required maximum weighted average life ("WAL"), the introduction of a stress test requirement, the elimination of the requirement that asset-backed securities be rated in order to be eligible for purchase, and the requirement of a credit-worthiness assessment for repurchase agreement counterparties.

We do, however, disagree with certain elements of the proposal, as described in the sections that follow. The events of fall 2008 highlighted that the two biggest risks faced by money market funds are credit risk and liquidity risk. While we do believe that changes can be made to Rule 2a-7 to tighten credit quality, there are limitations upon the ability to manage credit risk through regulation. We believe that regulation can be more effective with respect to alleviating liquidity risk. In our opinion, with regard to liquidity risk the Commission's Proposal simultaneously goes too far and not far enough. For example, certain aspects of the Proposal would require money market funds to lower their maximum weighted average maturity ("WAM") from ninety days to sixty days, although the one fund whose per share net asset value ("NAV") fell below a dollar during the events of last fall did not appear to have issues with WAM. Lowering WAM would result in money market funds clustering more towards the short end of the maturity curve. Traditionally, higher quality companies have been able to issue commercial paper with longer maturities, while companies with poorer credit quality have been forced to issue at the short end of the maturity curve. The practical result of these amendments may therefore be to increase credit risk in money market funds, while having no positive effect on liquidity risk. Further, as the Commission acknowledges in the text of the Release, even if its proposals to create weekly liquidity requirements had been in place in September 2008 at the time of greatest redemption activity, approximately six percent of retail money market funds and nine percent of institutional money market funds still would not have been able to meet their redemption requests without having to sell portfolio securities.[1]

Thus, we believe that the aspects of the Proposal relating to liquidity risk would prove to be unnecessary in good times and insufficient in periods of great financial stress. Rather, we encourage the Commission to consider working with other regulators to set up a secured lending facility at the Federal Reserve to serve as a lender of last resort for money market funds. Such a program is, in our opinion, the best way to combat a liquidity crisis of the magnitude of fall 2008, and would prove beneficial to money market funds, their shareholders and the financial system as a whole.

II. Comments on Proposed Amendments to Rule 2a-7

A. *Portfolio Quality*

(i) *The SEC should maintain current requirements in Rule 2a-7 with respect to NRSRO ratings*

While we understand the Commission's concerns that money market funds may rely too heavily on NRSRO ratings, we respectfully disagree with the Commission's proposal to eliminate the use of such ratings in Rule 2a-7. Rule 2a-7 has always made clear that NRSRO ratings, while providing a minimum floor of credit quality, are merely the first step in the due diligence process, and that the ultimate responsibility for determining whether or not a security is an eligible security for purposes of Rule 2a-7 rests primarily with the investment adviser. The investment adviser, in reliance on standards set and overseen by the fund's board of directors, must conduct its own independent credit analysis on securities that have met this minimum standard. While it is certainly possible for an investment adviser to be less than diligent in performing this function, that would be

[1] *See Money Market Fund Reform*, SEC Release No. IC-28807 at 64 (June 30, 2009), 74 FR 32688 (July 8, 2009).

true regardless of whether Rule 2a-7 required the use of NRSRO ratings. Indeed, removing the reference to ratings from the Rule may have the opposite effect, as it would make it possible for investment advisers, in the pursuit of yield, to purchase securities that would not meet the minimum standards currently in place.

For these reasons, we believe that instead of removing the use of NRSRO ratings from the Rule, the Commission should continue to focus on improving regulation and oversight of ratings agencies. The Commission has made much progress in this regard,[2] and we encourage the Commission to allow time for the effect of these efforts to be felt before making an ultimate decision regarding the role of NRSRO ratings in Rule 2a-7.

Should the Commission decide to retain the use of NRSRO ratings, we would not be in favor of requiring a fund's board to designate specific NRSROs since, as a practical matter, the majority of fund boards would likely end up designating the three largest NRSROs, further strengthening the oligopoly currently enjoyed by these firms. We also note that NRSROs also earn revenue by providing ratings of money market funds. We are concerned that requiring funds to designate approved NRSROs for purposes of their investments could create conflicts of interest because of these different roles undertaken by the NRSROs. If the Commission ultimately decides to require funds to designate NRSROs, however, we advocate that a fund be allowed to designate different NRSROs for different security types.

(ii) The Commission should continue to allow money market funds to purchase unrated securities that have a long-term rating in the third highest ratings category

We respectfully disagree with the Commission's proposal to prohibit money market funds from investing in unrated securities that have a long-term rating in the third highest rating category. Long-term and short-term ratings do not always correlate perfectly, as illustrated by the following table:

	Short term Rating	Long term Rating		Short term Rating	Long-term Rating
Moody's		Aaa	**S&P**		AAA
		Aa1			AA+
		Aa2		A-1+	AA
	P-1	Aa3			AA-
		A1			A+
		A2		A-1	A
	P-2	A3			A-
		Baa1		A-2	BBB+
	P-3	Baa2			BBB
		Baa3		A-3	BBB-

For example, a commercial paper issuer with the highest short-term rating from S&P (A-1+) may have a long-term rating of A+. Under the proposed rule changes, if such an entity were to issue long-term paper that is not re-rated when its maturity reaches 397 days or less, a money market fund would not be allowed to purchase such paper, even though it would be allowed to purchase short-term paper issued by the entity with an identical or even longer time to maturity. Such a situation would be especially problematic for municipal money market funds, as a large portion of the short-term municipal securities market consists of unrated pre-refunded

[2] *See Amendments to Rules for Nationally Recognized Statistical Rating Organizations*, SEC Release No. 34-59342 (February 2, 2009), 74 FR 6456 (February 9, 2009); *see also Re-Proposed Rules for Nationally Recognized Statistical Rating Organizations*, SEC Release No. 34-59343 (February 2, 2009), 74 FR 6485 (February 9, 2009).

bonds that had a long-term rating of A+, securities that have traditionally had very strong credit characteristics and very low default rates. We therefore support leaving this section of Rule 2a-7 unchanged.

(iii) Rather than requiring a credit reassessment if a fund's adviser becomes aware that an unrated security has received a rating from any NRSRO below the highest short-term rating category, the Commission should require reassessment when the adviser becomes aware of a material change in conditions that affect credit quality

We respectfully disagree with the Commission's proposal to require a credit reassessment if a fund's adviser becomes aware that an unrated security has received a rating from any NRSRO below the highest short-term rating category. In our opinion, this approach would place too much power in the hands of the NRSROs. Instead, we propose that the need for a reassessment be triggered by any material change in conditions that affect credit quality, with discretion given to the investment adviser to determine what constitutes a material change. A negative rating action, such as a downgrade, outlook change, or negative credit watch, might trigger a reassessment, but the investment adviser might determine that such an action was not material to its credit assessment and that a reassessment is not warranted.

B. Portfolio Maturity

(i) The maximum weighted average maturity should remain at ninety days

We respectfully disagree with the Commission's proposal to lower money market funds' maximum weighted average maturity from ninety to sixty days, as the one fund whose NAV fell below a dollar during the recent financial crisis did not appear to have issues with WAM. While it is true that many funds currently have a WAM lower than ninety days, and have for some time now, as the economy improves we would expect money market funds to gradually increase their WAMs. Investment advisers should be able to pursue a strategy of longer WAMs for their funds if they conclude that the higher yields that would follow justify such a strategy. The Commission is correct that lowering the maximum WAM would alleviate interest rate risk to some extent, but we believe this benefit would be outweighed by the increased credit risk, decreased diversification and lower yields that could ensue. Lowering the maximum WAM to sixty days would crowd taxable money market funds into the shorter end of the maturity curve, while higher quality issuers would continue to be able to issue in the longer end of the maturity curve. This could lead to funds increasingly being forced to choose from fewer and lower quality issuers, leading to lower credit quality and less diversification. More money in this shorter sector would depress yields such that funds would not be adequately compensated for the risks of credit and maturity concentration that this change would force them to take. Further, this scenario would increase systemic risk to borrowers as they would be more reliant on frequent rollover of maturities by money market funds.

(ii) We support the introduction of a weighted average life, but would recommend that the maximum be set at 180 days rather than 120 days

We support the Commission's proposal to introduce the concept of weighted average life, a calculation that, unlike WAM, would be measured without regard to a security's interest rate reset dates. This proposal would increase liquidity and reduce volatility by limiting a fund's exposure to adjustable rate securities. We do however believe that a maximum WAL of 120 days would create too severe of a constraint on a fund's ability to purchase adjustable rate securities, which would in turn lead to less diversification by issuer and instrument type as funds would be forced to invest greater amounts in fixed rate paper. This shift from adjustable to fixed rate paper would, in certain circumstances, make fund NAVs more volatile rather than less. While the WAL requirement would lessen a fund's exposure to the effect of widening credit quality spreads, the shift from adjustable to fixed rate paper would make NAVs more exposed to downside price risk in an environment of generally rising interest rates. Further, systemically, this would lead issuers to finance through longer-term securities, increasing their borrowing costs and narrowing the base of lenders on which they rely. For these reasons, we believe that setting a maximum WAL of 180 days would provide a more appropriate balance between these interests.

We also believe that government securities should not be excluded from the calculation of WAL. The argument for excluding government securities from the calculation of WAL is based on the premise that WAL should measure risk resulting from credit spreads but that government securities are not subject to widening credit spreads. In fact, securities issued by government sponsored enterprises are frequently subject to widening credit spreads based on perceived and fundamental changes in the credit quality of these entities. Over the past two years, the spread between six-month federal agency discount notes and six-month U.S. Treasury bills has ranged from 190 basis points on October 2, 2008 to a negative nine basis points on June 5, 2009, averaging 41 basis points.[3] Clearly, money market funds that owned these securities were subject to variations in credit spreads. In our view, the WAL calculation should therefore include all securities in a fund's portfolio.

Finally, we encourage the Commission to use a different term for this measure. "Weighted average life" is a term that is commonly used in the asset-backed securities market to describe the weighted average date of all principal cash flows in a specific tranche. The use of the term in this context may confuse investors. We suggest that a more descriptive term along the lines of "Weighted Average Final Maturity" would better define the calculation being performed.

(iii) The Commission should not shorten the maximum maturity for eligible securities from 397 days to 270 days

We do not support a proposal to shorten the maximum maturity for eligible non-government securities from 397 days to 270 days. We believe such a change would be unnecessary, particularly if the Commission ultimately decides to adopt a WAL limit for money market funds. Further, while there would be some marginal benefit in terms of interest rate risk reduction, this benefit would be outweighed by the decreased diversification and increased credit risk that would result, for many of the same reasons as outlined above in our discussion of WAM. This would be particularly true for tax-exempt funds, as much of the municipal market would become ineligible for purchase.[4] Should the Commission ultimately decide to adopt this proposal, we suggest that tax-exempt funds should be excluded from this change because the default rate for municipal securities has historically been extremely low and such a change would also eliminate an important source of funding for state and local governments.

[3] Credit spread between six-month federal agency discount notes and six-month U.S. Treasury bills. October 2, 2008 – June 5, 2009, via Bloomberg L.P., accessed August 28, 2009.

[4] The Commission previously extended the maximum maturity limit from one year to 397 days explicitly to make cash flow notes (*e.g.*, tax anticipation notes, revenue anticipation notes, and tax and revenue anticipation notes) issued by state and local governments eligible for tax-exempt money market funds. A decrease in the maximum maturity limit would again make many of these issues ineligible for purchase.

C. Portfolio Liquidity

(i) The Commission should not prohibit money market funds from acquiring securities that are illiquid (non-marketable) at the time of purchase; rather, the Commission should lower the percentage of assets a money market fund may invest in such securities from ten percent to five percent

We respectfully disagree with the Commission's proposal to prohibit entirely the purchase of "non-marketable" securities.[5] We instead propose that the Commission decrease the limit on such securities from ten percent to five percent. Prohibiting the purchase of such securities entirely could hamper financial innovation, as many newly introduced security types initially have a relatively limited market. Further, it may be difficult, particularly without further guidelines from the Commission, to determine whether or not a security is marketable at the time of purchase. A total ban on such purchases might unduly constrain an investment adviser from purchasing an appropriate security that would benefit the portfolio due to fear that the security will ultimately prove non-marketable.

We also request that the Commission provide further guidance as to what it would consider non-marketable. The Release seems to suggest that any security that does not mature or cannot be put at par within seven days might be deemed non-marketable. Such a definition seems unduly restrictive in our opinion, as it would make ineligible major portions of the municipal market (*e.g.*, bond anticipation notes, tax anticipation notes, revenue anticipation notes, tax and revenue anticipation notes, and bonds with remaining maturities of less than 397 days) and would restrict tax-exempt money market funds to buying only daily or weekly variable rate demand notes. It would also prohibit all money market funds from engaging in repo or time deposit transactions maturing in more than seven days, decreasing funds' ability to diversify and borrowers' ability to secure term financing.

We also suggest that the definition of liquidity (or marketability) that the Commission has proposed be modified to reflect that a money market fund be able to sell a security at a value that approximates the price used to calculate the fund's shadow NAV[6], rather than at a value that approximates such security's amortized cost, as a security may still be liquid even if its market value and amortized cost value are not the same. Further, we suggest that the Commission remove the presumption of illiquidity of restricted securities (*i.e.*, 144A issues and 4(2) commercial paper) because there is substantial evidence of a deep market for these securities among institutional investors.

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[5] We believe that the continued use of the term "illiquid" to describe securities that are not readily marketable may lead to investor confusion. Because other sections of the proposed changes establish new categories of "daily liquid assets" and "weekly liquid assets" investors might reasonably infer that any securities that do not meet the definition of daily or weekly liquid assets are illiquid. The use of a term such as non-marketable would alleviate any potential confusion.

[6] Rule 2a-7(c)(7) requires a fund that uses the amortized cost method to periodically 'shadow price' the amortized cost net asset value of the fund's portfolio against the mark-to-market net asset value of the portfolio. If there is a difference between the two of more than $0.005 per share, the fund's board must consider promptly what action, if any, should be taken, including whether the fund should discontinue the use of the amortized cost method of valuation and re-price the NAV of the fund below or above $1.00 per share.

(ii) The Commission should not adopt daily and weekly liquidity requirements for money market funds; rather, the Commission should work with other regulators to allow money market funds access to central bank liquidity during periods of severe financial distress

We respectfully disagree with the Commission's proposal to require that taxable money market funds meet certain daily liquidity requirements and that both taxable and tax-exempt money market funds meet certain weekly liquidity requirements. Money market funds have been successfully meeting ordinary daily redemption requests from investors for over thirty years with no specific liquidity requirements being proscribed in Rule 2a-7. In our opinion, investment advisers, who have in-depth knowledge regarding the composition of their funds' portfolios, as well as familiarity with the redemption behaviors and liquidity requirements of their funds' shareholder bases, remain in the best position to determine the right amount of liquidity for their funds. The Commission's "two sizes fit all" approach, which would require fund boards to determine on at least an annual basis whether a money market fund is a 'retail' or an 'institutional' fund for purposes of determining applicable liquidity requirements, would prove extremely difficult to implement, and while the liquidity levels it specifies may indeed be appropriate for some number of funds during certain market conditions, we believe it would force many other funds to maintain liquidity levels greatly in excess of what is needed, at the expense of both credit quality and yield, while at the same time proscribing levels of liquidity that are inadequate for other funds.

While in some instances, it may be relatively simple to differentiate between a 'retail' and an 'institutional' money market fund, in many cases we believe it would prove very difficult, because shareholders themselves cannot be easily classified as retail or institutional investors, regardless of what fund they happen to invest in. For example, many shareholders who invest in a fund through a 401(k) plan may be considered retail investors, but the 401(k) plan itself is considered an institutional investor, and will hold shares in either an institutional fund or in the institutional share class of a retail fund. Retail brokerage customers, who have their cash balances pooled in a sweep account, which may in turn be invested in an institutional fund or the institutional share class of a retail fund, pose a similar problem. In both of these instances, a single, institutional decision maker may be tasked with making investment decisions on behalf of the entire base of underlying retail investors, although this is not always the case, as the underlying retail investors may also make individual redemption decisions with respect to their own balances. In addition, these institutional decision makers may be required to provide notice to the underlying retail shareholders before making a redemption decision. Further, even when shareholders can be easily classified as retail or institutional investors, such shareholders do not all behave in the same manner as their peers.

Even if these substantial classification hurdles can be overcome, we are doubtful that the Commission's proposed liquidity requirements would be actually sufficient to enable money market funds to meet redemption requests during periods of severe market instability. As the Commission notes in the text of the Release, if such liquidity requirements had been in place during the week of September 15-19, 2008, approximately six percent of retail funds and nine percent of institutional funds would not have had sufficient liquidity to meet their redemption requests without having to sell portfolio securities.[7]

We believe that a far more effective solution for dealing with severe liquidity stress would be for money market funds to have an independent emergency liquidity buffer. Such an idea was raised by the Treasury Department in its recent white paper, although its suggestion was that such funding come from private

[7] *Supra* note 1.

sources.[8] In our opinion, due to the sheer size of the money market fund industry, it would be impractical for many funds to obtain sufficient private funding, particularly during a credit crunch. Rather, we suggest that a secured lending facility at the Federal Reserve, modeled on the discount window for depository institutions and the Primary Dealer Credit Facility, be set up to serve as a lender of last resort for money market funds. Such a facility would allow money market funds to obtain secured financing from the Federal Reserve by pledging their assets and paying a rate set by the Federal Reserve. Low risk money market fund investments, such as first tier commercial paper, certificates of deposit and government securities, could be pledged to the Federal Reserve as collateral, with an appropriate discount, in return for advances made at a market rate for the purpose of funding shareholder redemptions. These and any other restrictions could be designed to prevent money market funds from using the Federal Reserve credit facility to arbitrage rates or for leverage. Restrictions similar to those at the discount window on the type and quality of collateral posted by a fund, and provisions for the replacement of collateral that defaults, could be put in place in order to ensure that liability for credit events rested on a fund and not on the Federal Reserve.

Access to a secured lending facility at the Federal Reserve might also help mitigate another risk to money market funds that is not currently addressed in the Proposal. Money market funds typically offer their shareholders the right to redeem their shares for same-day settlement up to the time that the fund closes. This deadline can be later than the market close for the securities held by the funds, and is often as late as 5 p.m. ET. This means that funds offer liquidity to their shareholders when they have no practical means of disposing of their holdings in time to raise the cash. In normal times, funds will usually see more purchases than redemptions in this period, and holding back a relatively small amount of cash will accommodate any redemptions that do occur. It is not inconceivable, especially in the event of a run on money market funds, that a significant portion of a fund's shareholders might demand their funds right up to a fund's close. In that event, funds would be forced to either seek to suspend or delay redemptions or to renege on trades that were made earlier in the day, thus transferring the risk to either the fund's shareholders or its trading counterparties. Access to a secured lending facility at the Federal Reserve would allow funds to back up their promise of daily liquidity with assured access to late day liquidity.

We believe that such a secured lending facility could be constructed and used in a manner that would prohibit funds from using borrowed funds for leverage or purposes other than meeting shareholder redemptions, did not create a senior security, and was consistent with the borrowing provisions of the Investment Company Act and each fund's own restrictions on bank borrowing. We would welcome the opportunity to discuss such a facility in greater detail with the Commission staff.

D. Repurchase Agreements

(i) The Commission should not prohibit funds from investing in repurchase agreements collateralized by securities other than cash items or government securities in order take advantage of 'look-through' diversification treatment

We respectfully disagree with the Commission's proposal to limit funds to investing in repurchase agreements collateralized only by cash items or government securities in order to take advantage of the 'look through' diversification provisions of Investment Company Act Rule 5b-3. We encourage the Commission to maintain the current definition of "collateralized fully". This will allow funds to continue to take advantage of

[8] *See Financial Regulatory Reform, A New Foundation: Rebuilding Financial Supervision and Regulation*, Department of the Treasury at 38, at http://www.financialstability.gov/docs/regs/FinalReport_web.pdf.

this treatment with respect to repurchase agreements that are collateralized by securities with the highest rating or unrated securities of comparable credit quality. In our view, limiting collateral to cash items and government securities will not reduce risk, improve the liquidity of funds, or reduce the likelihood of losses in the event of a counterparty default. Rather, we believe that such a limitation may actually increase the risk that funds will be less diversified, while also increasing systemic risk by making it more difficult for companies to obtain funding and potentially impairing the liquidity in the secondary markets for other types of securities.

This proposed restriction may have the unintended effect of increasing the risks faced by money market funds. First, it reduces diversification by crowding more funds into repurchase agreements backed by government securities. This reduces the absolute dollar value of collateral available to market participants to the extent that they are not able to use repurchase agreements collateralized by other types of securities. Since broker/dealers are lessening their dependence on the repurchase agreement market as they go through the process of deleveraging their balance sheets, it is not clear that additional repurchase agreements backed by government securities will become available to funds. To the extent that funds must have alternatives available to meet liquidity requirements of the Rule, they may have to invest in riskier market sectors or riskier banks that provide overnight liquidity. These alternatives may prove to contain more credit risk than repurchase agreements that are backed by other types of collateral. Thus, this change may have the unintended effect of increasing credit risk in money market funds.

The change may also impair liquidity in the secondary markets. Repurchase agreements provide dealers with the ability to fund their inventory positions without using their own capital; limiting the types of securities that can be used as collateral in repurchase agreements between dealers and money market funds would make it more difficult for dealers to fund their inventory. This in turn would make it more difficult for dealers to bid securities, which in turn would make it more difficult for money market funds to sell securities to meet redemption requests, and more difficult for funds to invest in marketable securities.

A corollary is that this type of restriction could also increase systemic risk. Without broker/dealers having the ability to finance non-government securities, borrowers would be less able to access the capital markets at the longer end of the maturity curve; consequently, borrowers would be more reliant on frequent rollover of maturities by money market funds. As the industry experienced over the last two years, particularly with Bear Stearns and Lehman Brothers, issuers who are heavily reliant on short-term funding are especially vulnerable to financial shocks.

The proposal to apply this limitation to repurchase agreements that are not collateralized fully and thus do not qualify for the special "look-through" treatment would have the same practical effect and consequences as requiring all repurchase agreements to be collateralized in this manner. Since non-traditional collateral generally does not qualify for "look-through" treatment, funds diversify their holdings based on the counterparty, and subject to the five percent diversification limits of Rule 2a-7. So, for example, if a fund entered into a repurchase agreement that was collateralized by investments that were eligible for direct investment under the Rule, and the counterparty defaulted on the repurchase agreement, the fund would have had a less than five percent exposure to the dealer, and would have taken possession of the collateral. Since this collateral would be eligible for direct investment, provided the fund had sufficient other sources of liquidity, the fund would not necessarily be forced to liquidate this position and could hold the assets to maturity. In this type of case, a money market fund with repurchase agreements collateralized by non-government securities would actually be less likely to incur a loss in the event of a counterparty default.

Finally, based on our discussions with broker/dealers, we believe that well over half of their current inventory of government securities used to collateralize repurchase agreements would be ineligible for direct purchase by money market funds under the current maturity restrictions of Rule 2a-7. In the event of counterparty default, these securities could not be taken into the funds and held to maturity, and would have to be liquidated. As discussed above, the mortgage-backed securities market has experienced a tremendous amount of price volatility over the last two years. Selling government securities at distressed prices in this environment likely would have resulted in significant realized losses by money market funds, which could have stressed money market funds and markets even further.

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We appreciate the opportunity to provide comments on the Proposal and the Commission's consideration of our comments. Should you have any questions, please contact David Sylvester, head of the portfolio management teams for both the *Wells Fargo Advantage Funds* and *Evergreen Funds*, at 612-667-5107; or the undersigned at 415-222-1140.

Very truly yours,

C. David Messman

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Secretary and Chief Legal Officer
Wells Fargo Funds Management, LLC