Victory
Capital Management
127 Public Square
Cleveland, Ohio 44114

September 8, 2009

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

RE: File Number 87-11-09, Release No. IC-28807 Money Market Fund Reform

Dear Ms. Murphy:

Victory Capital Management Inc., [1] a manager of money market mutual funds with over $5 billion in assets, appreciates the opportunity to comment on the Securities and Exchange Commission's proposed amendments to certain rules that govern money market mutual funds under the Investment Company Act, issued in Release No. IC-28807 (the "Release")[2].

Money market mutual funds are a critical component of our business and an important financial solution for our customers and the customers of our parent company. Money market mutual funds also provide critical funding for federal, state and local governments in the United States as well as corporations around the world.

While Rule 2a-7 has been an effective regulation benefiting investors and issuers alike, Victory generally supports the Commission's proposals to decrease risk, increase liquidity and enhance transparency of money market mutual funds. However, we would like to comment on certain aspects of the Proposed Rule.

1. Portfolio Liquidity -Victory generally supports the new liquidity proposals, including different requirements for retail and institutional funds. We also support the proposal that the funds board make this determination[3]. We are concerned, however, that a simple black-and-white definition would not allow boards to exercise their judgment when the facts are more nuanced. For example, our money market mutual funds are owned almost exclusively by customers of our parent company and are retail in nature. However, since they are held through a small number of omnibus accounts, the funds could be identified as institutional funds under a simple deterministic framework. This would not be an accurate conclusion and maintaining "institutional" liquidity for a retail shareholder base would not be beneficial. Any decision by our parent company to change this relationship would not be made quickly, so there is no risk that that a wholesale change would be made without substantial lead time and notice.

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[1] Victory Capital Management is a registered investment adviser with over $50 billion in Assets under management. Victory is a subsidiary of KeyBank which is a wholly owned subsidiary of KeyCorp a bank holding company.

[2] Money Market Fund Reform, 74 Fed. Reg. 32688 (July 8, 2009), Citations to the Commission's proposed rule are referred to herein as "Proposed Rule."

[3] The Commission has proposed that a fund's board of directors make a determination of whether a money market mutual fund is an institutional fund no less frequently than annually based on several subjective factors: nature of the record owners of the fund's shares; minimum initial investment requirements; and historical cash flows that have resulted or expected cash flows that would result from purchase and redemptions. Money Market Fund Reform, 74 Fed. Reg. at 32705 and Proposed Rule 2a-7(a)(17) and 2a-7(c)(5)(v).

Victory also suggests that the definition of Daily Liquid Assets[4] should include fixed rate U.S. Government Securities including direct obligations of Government Agencies with maturities of 397[5] days or less. Our experience as an investment adviser of money market funds throughout the recent market turmoil has indicated that the market for these securities was liquid and deep even in the extraordinary risk-averse environment of last fall. Victory also supports the inclusion of a five percent Daily Liquid Assets requirement for all tax-exempt money market mutual funds.

2. Portfolio Weighted Average Maturity -Victory believes that Rule 2a-7's current weighted average maturity requirement of 90 days appropriately limits interest rate risk. It seems unlikely that the proposal to reduce Weighted Average Maturity to 60 days will materially support the stated goals of Money Market Fund Reform. We believe that the Commission's focus on credit quality and portfolio liquidity is more germane.

3. Portfolio Weighted Average Life -Victory supports the introduction of a weighted average life test to reduce credit risk and spread risk. We do not agree with the Commission that a 120-day weighted average life test is appropriate in light of the other risk limiting proposals that are being proposed. We believe that a weighted average life test of 150 days will adequately satisfy the Commission's goal to make money market funds more resilient to certain short-term market risks.

4. Illiquid Securities -Victory believes that it is appropriate to continue to permit a money market mutual fund to invest up to 10% of its assets in securities that represent minimal credit risk but do not meet the Commission's definition of "liquid," especially in light of the proposed daily and weekly liquidity requirements. For example, this proposal would have the effect of eliminating repurchase agreements longer than 7-days from the portfolios of Government money market funds. Historically, Government money market fund portfolios hold the highest level of Daily Liquid Assets of all money market funds, and repurchase agreements longer than 7-days are typically among the most attractive securities available to these funds.

5. Holdings Disclosure -Victory favors publication of money market mutual fund holdings on a fund sponsor's website within five business days of each month-end.

6. Floating NAV -Victory strongly opposes moving money market mutual funds to a floating NAV and believes that a floating NAV will cause significant shareholder outflows, destabilizing money market mutual funds and the overall market for money funds.

7. Market Value Pricing -Victory supports the continued use of amortized cost accounting for money market mutual funds. Further, we believe that public disclosure of market value pricing could cause significant shareholder confusion, has the potential to generate major disruptive flows between funds and unnecessarily destabilize the integrity of money market funds.

8. In-Kind Redemptions - Victory opposes mandatory in-kind redemptions. We believe that increased liquidity requirements will lessen the need to consider any in-kind redemptions. A mandatory limit would be operationally difficult and would just cause investors to spread their investment to avoid an in-kind redemption.

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[4] Proposed Rule 2a-7(a)(8)

[5] If the maximum maturity of fixed rate U.S. Government Securities is reduced from 397 days, a comparable reduction in the maximum maturity of fixed rate U.S. Government Securities qualifying as Liquid Assets would be appropriate.

We look forward to working with the Commission as it continues to examine these issues. In the meantime, if you have any questions, please feel free to contact me directly at (216) 689-0972.

Sincerely,

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Cc:
The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner

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