Crane Data LLC

August 31, 2009

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: File No. S7-11-09 (Money Market Fund Reform Proposals)

Dear Ms. Murphy:

I appreciate the chance to comment on the SEC's Money Market Reform Proposals and would like to thank the Commission for their tireless efforts in this arena. As background, I have written about and analyzed the money market mutual fund space for 15 years, most recently as President & Publisher of Crane Data LLC. My company publishes the monthly newsletter Money Fund Intelligence and writes daily news on the cash industry via the website http://www.cranedata.com. Our clients, subscribers and visitors consist of practically every money market mutual fund manager, a number of money market securities issuers and dealers, money fund raters, distributors and service providers, and money fund investors, both institutional and retail.

Crane Data recently surveyed its Money Fund Intelligence and website readership about the SEC's recent Money Market Fund Reform Proposals and about issues facing money funds. We also conducted numerous informal interviews and held a number of discussions with industry participants on the proposals, and we hosted a series of sessions at a recent industry conference, Crane's Money Fund Symposium. We share these results and our thoughts below.

The overwhelming consensus is that both money fund providers and investors rate the overall SEC proposals quite favorably. All share the SEC's overall goal of making money funds more resilient. But many feel that some changes are needed to reduce the overall burden of the new regulations and to reduce the possibility that the proposed changes may actually increase overall systematic risk by concentrating funds and securities into a shorter and smaller space.

Of particular concern to money funds are the reduction of WAM to 60 days and the 30% weekly liquidity buckets for institutional money funds. We'd urge the SEC to consider limiting WAM to 75 days instead of 60 days, which would offer more flexibility to smaller fund complexes and to retail money funds, especially during the current ultra-low yield environment. We'd also suggest eliminating the institutional liquidity bucket distinction (and just mandating a 5% daily and 15% weekly bucket for all), or, alternatively, we'd suggest broadening the liquidity bucket to include government agency securities. These changes would substantially ease the burden on smaller funds, and lessen the chances of unintended consequences resulting from a significantly heavier concentration of shorter assets in funds.

Below, we reprint segments of a story which ran in the August issue of Money Fund Intelligence, which described our survey results and the concerns of our readers. But we'd also like to mention a couple more points. First, we believe the events of the past two years were unprecedented and are unlikely to be repeated. While funds must consider the possibility of a system-wide panic and run, money funds fared much better than most. All asset classes were in effect at the mercy of government support to quell the panic. Money funds should not be singled out. It can be argued that they required much less support, and certainly less costly support, than that required by bank savings.

Next, don't forget that both investors and advisors have reacted to these events by scaling back their risk-taking and exposure. Severe actions at this point are akin to "closing the barn door after the horses left the barn." The risk of overregulation is high in this scenario, so we urge caution and incremental change, especially given the money markets' still fragile state. Finally, we think the floating NAV and disclosure of any actual mark-to-market pricing is a very bad idea.

See our story below for more details. I'm happy to discuss these or to support the Commission's work in any way, so please don't hesitate to contact me if you need more details or information on any of our thoughts or database of money market fund statistics. On behalf of money fund managers and investors, thanks again for all your hard work on these issues!

Sincerely,
Peter G. Crane
President & Publisher
Crane Data LLC
[redacted]

Crane Data's Money Fund Intelligence August 2009 Survey Results

MFI e-mailed the brief survey questions to its 800+ readers and received 26 responses. Respondents included primarily money fund managers and sales professionals, but also a number of money fund investors and money market securities issuers. We first asked readers to rate the SEC's proposals on a scale of 1 to 10, with 10 being the highest. The average score was 6.3. The SEC proposals overall got '8' scores (the highest) from 7 respondents and '1' scores from two. (See below for a summary of the full survey results.)

We then asked, "Which of the SEC's proposed MMF Reform amendments do you think would do the most good?" The most popular option, "Adding liquidity mandates," was chosen by 48.3% of respondents. This was followed by "Other" (20.7%), where the majority of write-in options cited the 120-day maximum "spread WAM" as likely the most effective mandate.

The next question asked, “Which of the SEC’s Proposed MMF Reform Amendments do you think would do the most harm?” Responses were widely distributed with “Moving WAM from 90 to 60 days” garnering the most votes (27.6%), followed again by “Other.” This time the write-ins included: “introduction of Floating NAV,” “differentiating between retail/institutional funds, as it relates to liquidity requirements (30% 7 day punitive!),” and “showing the shadow price to investors.”

MFI then asked, “What are the most important issues facing money market mutual funds in the coming months?” Respondents were asked to rank the choices (see below left) in order of importance. “Ultra-low interest rates” ranked the most important issue (1.7), followed by “Regulatory changes” (2.2), “Competition from banks or new products” (3.6), and “Rising rates” (3.8). “Consolidation” trailed in importance (3.9) followed by “Other” (4.3), where a couple of write-in responses included the, “threat of floating NAV.”

We then asked readers to “Rate the attractiveness of a floating NAV.” Though the overall average of 3.5 indicates this concept’s unpopularity among the money fund community, there were some surprising pockets of support for the idea.

Ten of our 26 respondents rated the concept a ‘1’ (plus one who went off the scale with a zero), while 4 respondents gave the concept a ‘10’. One respondent commented, “potential changes to accounting treatment make it less desirable.”

We then asked, “If you could add or remove a change, what would it be?” Survey takers’ comments included: “Change liquidity mandates,” “I would nix removal of illiquid securities,” “Remove floating NAV from comment consideration,” “In addition to the punitive 30% 7 day liquidity bucket for institutional funds (should be lower) the ‘maturity limit for other portfolio security’ should not be reduced from 397 days,” “Removing second tier securities,” “2nd tier reinstated,” “Removing illiquid securities,” “Liquidity mandates,” “Limit FRNS longer then 12 months and limit the % of FRNs in the fund,” and “don't change illiquid bucket.”

Finally, we asked, “Are there any other important issues you think Crane Data should address in a comment letter or in an article?” Readers said: “US government support in the form of liquidity backstop would help the industry. Not an FDIC insurance but a perpetual program to buy securities, or lend against them in the event of market disruptions,” “The notion of having to distinguish between retail and institutional funds for determination of liquidity requirement,” “Definitely have concerns with publicly publishing actual security prices. Eliminating illiquid securities could potentially stifle innovation — why not have a low max of say 5%?”

Investors in particular responded unfavorably to a theoretical floating rate NAV. One wrote, “If the NAV were re-priced and allowed to float, [our bank] would likely be forced to remove 100% of the $50M we have invested in MMFs. We do not want to be forced out of the MMF market!”

MFI SUBSCRIBER SURVEY RESULTS SUMMARY

1. Overall, on a scale of 1 to 10 with 10 being the highest, how do you rate the SEC's MMF Reform proposals? Average 6.3

2. Which of the SEC's Proposed MMF Reform Amendments do you think would do the most good?
a. Moving WAM from 90 to 60 days 10.3%
b. Removing Second Tier Securities 6.9%
c. Adding Liquidity Mandates 48.3%
d. Removing Illiquid Securities 6.9%
e. Disclosing monthly portfolio holdings 6.9%
f. Other ________ 20.7%

3. Which of the SEC's Proposed MMF Reform Amendments do you think would do the most harm?
a. Moving WAM from 90 to 60 days.27.6%
b. Removing Second Tier Securities 10.3%
c. Adding Liquidity Mandates 10.3%
d. Removing Illiquid Securities 20.7%
e. Disclosing monthly portfolio holdings 6.9%
f. Other 24.1%

4. What are the most important issues facing money market mutual funds in the coming months?
(rank highest to lowest with 1 being the highest, 2 being next, etc.)
a. Regulatory Changes 2.2
b. Consolidation 3.9
c. Ultra-Low Interest Rates 1.7
d. Rising Rates 3.8
e. Competition from Banks or New Products 3.6
f. Other 4.3
5. On a scale of 1 to 10 with 10 being the highest, rate the attractiveness of a floating NAV. Average 3.5

Source: Crane Data’s Money Fund Intelligence.