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September 4, 2009

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File Number S7-11-09; Money Mark Fund Reform

Dear Ms. Murphy:

The Independent Community Bankers of America¹ (ICBA) welcomes the opportunity to briefly comment on the proposed amendments to rules that govern money market funds (MMFs) under the Investment Company Act. The amendments would tighten the risk-limiting conditions of Rule 2a-7 by requiring MMFs to maintain a portion of their portfolios in instruments that are “liquid securities.”

ICBA’s Position

ICBA is concerned that these amendments to Rule 2a-7 may unnecessarily restrict MMF investments in FDIC-insured certificates of deposit (CDs). Although community banks generally don’t issue CDs directly to MMFs, many community banks actively participate in the Certificate of Deposit Account Registry System or CDARS program developed and operated by the Promontory Interfinancial Network LLC or in similar programs. The CDARS program allows investors with funds whose deposits are in excess of the FDIC Standard Maximum Deposit Insurance Amount of \$250,000 to have their funds placed in CDs in a number of institutions so that they can obtain FDIC insurance on the total amount invested in CDs through CDARS. Some MMFs have purchased fully-insured CDs through the CDARS program.

¹ The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever changing marketplace.

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold \$1 trillion in assets, \$800 billion in deposits, and \$700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA’s website at www.icba.org.

ICBA urges the SEC to consider fully-insured CDs as “liquid securities.” Under the proposed amendments, investments in FDIC-insured CDs may be considered illiquid because they are likely to have maturities that are longer than seven days and cannot be sold or disposed of at their amortized costs because of early withdrawal penalties and the absence of a secondary market.

However, unlike other types of securities, CDs acquired using CDARS are fully protected by the FDIC. MMFs do not need to rely on market quotations to determine the value of a CD because an issuing bank has a contractual obligation to pay principal and interest at the maturity of the CD. A CD’s value is not determined by market events and it is not necessary to rely on market quotations to figure out their value. Furthermore, if the SEC’s proposal to require daily and weekly liquidity standards for MMFs is adopted, it is unlikely that redemption requests would need to be satisfied from early terminations of investments in fully-insured CDs.

ICBA also urges the SEC to consider fully-insured CDs to be “government securities” for the purpose of Rule 2a-7. FDIC insurance is widely considered to be the equivalent of a U.S. government guarantee since it is backed by the full faith and credit of the U.S. government. The FDIC’s Deposit Insurance Fund has a \$500 billion line of credit from the U.S. Treasury Department. No insured depositor has ever lost any funds that were insured by the FDIC. We urge that FDIC-insured CDs be considered “government securities” for purposes of Rule 2a-7 and, as such, considered as liquid securities.

Conclusion

Since the CDARS program provides an excellent source of liquidity and funding for community banks, we urge the SEC to consider treating fully-insured CDs as “liquid securities” for purposes of Rule 2a-7 so that MMFs can hold them without restriction. CDs acquired using CDARS are fully protected by the FDIC. Unlike other illiquid securities, MMFs do not need to rely on market quotations to determine the value of a CD. Fully-insured CDs should also be considered “government securities” since they are backed by the FDIC’s Deposit Insurance Fund, a line of credit from the U.S. Treasury Department, and the full faith and credit of the U.S. government.

ICBA appreciates the opportunity to comment on the proposed amendments to rules that govern money market funds under the Investment Company Act. If you have any questions or need additional information, please do not hesitate to contact me at my email address (Chris.Cole@icba.org) or at 202-659-8111.

Sincerely,

/s/ Christopher Cole

Christopher Cole
Vice President and Senior Regulatory Counsel