Deutsche Asset Management
A Member of the Deutsche Bank Group

DeAM Legal Department
280 Park Avenue, 6W, MS NYC03-0622
New York, NY 10017

[Filed Electronically]

August 31st, 2009

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

Re: Money Market Fund Reform File Number S7-11-09, Release Number IC – 29907 (the "Release")

Deutsche Investment Management Americas Inc. ("DIMA")[1], an affiliate of Deutsche Bank, A.G., appreciates the opportunity to submit this letter in response to the request for comments made by the Securities and Exchange Commission (the "Commission") in the Release. In general, we applaud the Commission's review and request for comment on the rules that govern money market funds under the Investment Company Act of 1940, as amended ("1940 Act"), including Rule 2a-7. Currently, Rule 2a-7 under the 1940 Act permits a money market fund to maintain a stable $1 net asset value ("Stable NAV").

I. Introduction

We have chosen to focus on the Commission's request for comment on whether money market funds should, like other types of mutual funds, effect shareholder transactions at the market-based net asset value and have a floating NAV ("Floating NAV"). In our view the question to ask is whether the Commission should consider and enable mutual fund companies to offer both Stable NAV and Floating NAV money funds. We believe that the Commission should do so and, therefore, propose that Rule 2a-7 be amended to permit registrants to operate a money market fund under either or both structures. Investors and the cash markets would benefit, in our judgment, if Rule 2a-7 were amended to permit both Stable NAV funds, which would operate pursuant to the amendments proposed by the Commission, and Floating NAV funds, which

[1] DIMA is a registered investment adviser that serves as investment manager for a wide variety of U. S. registered equity and bond mutual funds and money market mutual funds. DIMA is part of the Deutsche Asset Management global organization, which in turn has approximately $646 billion in assets under management, including more than $119 billion in liquidity and short duration assets as of June 30, 2009.

would operate pursuant to the existing terms of Rule 2a-7 other than the provisions contemplating a money fund maintaining a stable $1 net asset value.

In our view, the current provisions of Rule 2a-7 pertaining to quality, maturity and diversification are sufficient to safeguard the interests of investors in a money market fund that would calculate its NAV by reference to market quotations, or a Floating NAV. Therefore, we believe that the proposed amendments should not be applicable to such a money market fund. We note that, as currently structured, Rule 2a-7 permits money funds to stabilize their price per share using amortized cost valuation and/or penny rounding, and it permits a fund that does not do so to hold itself out as a money market fund, provided such a fund complies with the quality, maturity and diversification requirements of the rule.

II. Discussion

DIMA continues to support the need for and existence of money market funds that maintain a Stable NAV. We do not, in any way, suggest that Floating NAV funds replace Stable NAV funds that use the amortized cost and/or penny rounding valuation method. That said, primarily due to the events that occurred during and beyond September 2008 as noted in the Release (the "September 2008 Events"), DIMA believes registrants should be allowed to offer Floating NAV funds, which would be based on daily mark-to-market pricing and a starting price of $10 per share. For the reasons set forth below, we believe the Commission's proposed amendments to Rule 2a-7 will significantly address the issues encountered by Stable NAV funds brought on by the September 2008 Events, allowing Stable NAV funds to substantially mitigate those issues. At the same time, we believe our proposal for Floating NAV funds will mitigate these issues as well, without the need for adopting substantial changes to current Rule 2a-7. By introducing an alternative solution, we would offer a choice between both stable and floating net asset value money market funds allowing investors to decide which type of money market fund to invest in based upon their investment objectives. Before addressing the Commission's amendments to Rule 2a-7 for Stable NAV funds and outlining our proposal for Floating NAV funds, we would like to comment on the September 2008 Events.

A. September 2008 Events

DIMA believes that among the factors leading up to the marked increase in redemptions during the September 2008 Events was a detailed understanding by the more sophisticated investors of the stable $1.00 money fund structure. Sophisticated investors more readily appreciated that, when a Stable NAV fund is under extreme market stress, shareholders who redeem quickly can receive $1.00 per share and avoid losses completely. They understood that shareholders who remain in the stable $1.00 money fund are subject to the possibility of increased risk and even loss in the event that the stable $1.00 money fund "broke the buck." This risk creates the potential for, and as the September 2008 Events revealed did create, a significant risk for a "run on the fund."[2]

[2] When the shadow pricing process required under Rule 2a-7 shows a significant deterioration of the market-based NAV, it would prompt a switch from amortized cost accounting to some form of mark-to-market valuation when a fund's Board determines that the deviation between the two

In DIMA's view, there is a dramatic difference between the redemptions that will inevitably occur when investors adopt a negative outlook on a market sector versus those redemptions of the sort experienced as a result of the September 2008 Events. To identify a run of the type that resulted from the September 2008 Events, it requires more than just measuring the overall redemptions of funds in a sector - what is just as critical is looking at the pace at which the run occurs and whether the underlying reasons are what could be described as general negativity on the market or concern due to structural worries about being "the last one out." We submit that the latter situation is of greater concern as it is prone to feed on itself rapidly and produce a sudden liquidity squeeze in the market.

An additional aspect of the run scenario is that, due to price rounding at the $1.00 per share level, losses are distributed in substantial increments. The smallest loss reflected in a stable $1.00 money fund's price would be realized due to a 0.5% portfolio value deterioration, which would translate to a full 1% loss to investors as a fund breaks to $0.99 per share (assuming the fund were to continue to round to the nearest cent). The $1.00 structure has the advantage of buffering volatility day-to-day, but if it ultimately cracks under extreme conditions, it also has a disadvantage; namely, potentially moving investors from a state of having zero losses to having a significant loss in an instant.

That more sophisticated investors have an understanding of the above factors was in our view a key factor to what created added incentive for investors (particularly more sophisticated investors) to redeem early during the September 2008 Events. Even those Stable NAV funds that were <u>not</u> meaningfully exposed to troubled credits experienced major redemptions since they were not readily distinguishable from the funds that were so exposed. Even in those situations where portfolio holdings were frequently published, investors were not in a position to confidently value them and, absent an objective sense of the fund's true share price, did not have a sense of the magnitude of price risk that existed or did not exist in the portfolio.

The result was an institutional run on stable $1.00 money funds. The correlated redemptions across the spectrum of stable $1.00 money funds (especially those characterized as "Prime"), over just a few days, threatened the stability of the money market system, as much because of their pace as their volume. It is important to focus on the fact that institutional investors made up the overwhelming majority of those who redeemed shares from stable $1.00 money funds, and that retail cash flows were very stable. In fact, in the cases of many retail funds/share classes, assets were increasing. Since the threat to, and primary concern about, the soundness of the

---

measures is no longer immaterial. This determination could happen in the absence of redemptions, but certainly becomes magnified when there are redemptions, since among other things, realized losses and unrealized depreciation would generally increase on a per share basis with a declining asset base. If a fund were to change valuation methods from amortized cost to mark-to-market, fund shareholders would certainly be negatively impacted by this event, which was certainly the case for investors in The Primary Fund sponsored by Resrv Partners, Inc. Again, fund shareholders who redeem their investment in a Stable NAV fund before this type of event occurs may incur zero losses to them, but shareholders who fail to do so are exposed to an even more concentrated share of the losses.

Stable NAV funds came from the institutional segment, in our view it is important to provide institutional investors an alternative money market fund product. We believe that a Floating NAV fund does just that, and will, together with the Rule 2a-7 changes being proposed by the Commission, provide more stability to Stable NAV funds. Of course, a modified Stable NAV fund structure would remain a completely appropriate product for all investors as well, providing greater protection compared to today for those investors who chose to invest in a Stable NAV fund.

B. Stable NAV Funds

DIMA agrees with the wider industry view that the stable $1.00 price per share offered by traditional money funds is a very important feature for many investors, particularly retail investors and one that many investors will continue to require in order to invest in the money markets. We recognize that, aside from the extreme conditions of September 2008, the traditional money fund structure has functioned very well for more than twenty five years. It is well understood that, over their history, money funds have played a critical role for money markets and for the investors and debt issuers who participate in these short-term markets.

We recognize the significant work undertaken by the Commission and commend its efforts to bring stability and confidence to the money market industry. In general, we believe that the proposed amendments to Rule 2a-7 will reduce investment risk, increase liquidity and bring greater transparency to Stable NAV funds. In addition, these proposals should significantly mitigate the chance that shocks to the market similar to those experienced as a result of the September 2008 Events will impact money market funds in the same manner. Additionally, the proposed amendments with respect to increased liquidity requirements should allow Stable NAV funds to better deal with larger redemptions without embedding losses in the fund.[3]

While we believe these proposals will increase the stability of Stable NAV funds, they will also in our judgment beneficially adjust the investor profile of these funds. The revised Stable NAV funds will likely continue to be attractive to investors (both retail and institutional) who prefer the simplicity and improved risk profile of Stable NAV funds at the expense of greater potential for yield. However, there is no reason to eliminate the existing money market fund investment guidelines for a group of investors choosing to seek greater potential for yield, provided measures are taken to deal with a primary deficiency of Stable Value NAV funds operating under current Rule 2a-7. That deficiency, subjecting remaining fund shareholders to realization of unrealized losses that will occur if a fund breaks the buck and must convert to a floating net asset value, is cured by our proposed Floating NAV fund.

C. Floating NAV Funds

As noted, it is DIMA's view that Floating NAV funds, operating under the current requirements of Rule 2a-7, meaningfully address the risk of potential "runs" on this type of fund. Thus, DIMA

[3] We do however, have some technical comments with respect to the proposed changes to Rule 2a-7 set forth in the Release which are reflected in our "Additional Comments" in Appendix A, attached hereto.

does not believe Floating NAV funds need to be subject to the new limitations proposed by Commission. A Floating NAV fund would help to ensure pricing transparency. DIMA believes the share price transparency, especially supplemented by increased transparency surrounding holdings, will significantly mitigate the potential for runs by sophisticated investors. We believe that, if future investors could not only see a reliable representation of what their fund shares were worth, but also be able to transact redemptions at a price sensitive enough to protect them from the actions of other redeeming shareholders and the potential rounding shocks, they would be less inclined to initiate redemptions that lead to a run. To this end, a Floating NAV fund benefits investors to a greater extent if it is priced at $10.00. Taking a step further, if a fund then rounds to the third decimal (nearest tenth of a penny), its price can capture 1 basis point movements in market value, and help ensure small market movements result in small share price movements. Additionally, even if a Floating NAV fund is not able to avoid a run entirely, and we recognize that all funds could be subject to runs, the redeeming shareholders, as well as those who remain invested will receive a precise price on their shares that equitably reflects the then prevailing market conditions.

Floating NAV funds allow for other advantages. Their existence in the form of which we set forth herein, will in our view benefit corporate issuers who seek longer term funding and will promote the overall health of the funding markets. We believe the effects of proposals set forth in the Release, will lead to less supply of corporate issuer paper in favor of bank and financial company issued paper. Further, the proposed changes have the potential of leaving a gap in the overall market funding structure that issuers are used to accessing, which Floating NAV funds will be able to fill. Floating NAV funds also provide portfolio managers with greater flexibility to address the dilemma of how to generate the required liquidity needed to meet extended fund redemptions while maintaining the risk profile of the portfolio.

Finally, we believe that a Floating NAV fund will offer investors who chose this vehicle the potential for higher returns than a Stable NAV fund. If the Commission were to provide for both a Stable and Floating NAV option in Rule 2a-7, DIMA believes that investors, especially institutional, would likely segment into two categories; those whose priority is the stability of the $1.00, and desire the conveniences of a Stable NAV that have made this type of fund widely popular, and those who will gravitate toward the potential for higher returns than what Stable NAV funds, operating under the proposed rules will enable, provided that the volatility is relatively subdued and in line with the expectations for money market holdings. We base this tolerance for price changes both on our understanding of institutional investor needs, as well as the fact that many institutional investors maintain separately managed, total return cash accounts at their investment advisors – proof that they can and will accept modest amounts of volatility in their cash holdings. If there were a money fund option that offered more liquidity than a separate account, yet had similar total return characteristics, we believe institutions would be interested investors. This would be the case particularly if institutional investors thought Floating NAV funds offered improved returns versus stable $1.00 money funds, greater transparency and additional protection from run-on-the-fund risk as well as price shocks due to rounding. We also believe that offering a regulated Floating NAV fund under Rule 2a-7 would address concerns about investors seeking higher yield by migrating their investments to riskier "enhanced cash" products that may not have consistent standards or regulatory oversight.[4]

III. Conclusion

DIMA believes it is fundamentally important to investors to maintain Stable NAV funds, and supports the Commission's proposals to strengthen these types of funds by addressing the problems the market place encountered during the September 2008 Events. Moreover, the Stable NAV fund's $1.00 price makes practical many of the services retail investors have come to rely on, such as brokerage sweeps, check writing and debit card transactions. DIMA agrees with the Investment Company Institute's Money Fund Working Group that a stable $1.00 price per share is the central element of money market funds to certain investors.

In addition to supporting the Commission's proposal for Stable NAV funds, DIMA also proposes the Commission add a Floating NAV option to Rule 2a-7 for the reasons, and as outlined, above. DIMA believes this will facilitate a natural migration of a portion of institutional assets out of the Stable NAV funds, thereby mitigating the run on the fund risk that some of these assets posed during the September 2008 Events. Of course, certain institutions will continue to be drawn to Stable NAV funds, particularly for their very short duration money (over a few days, even the smallest of price declines in a Floating NAV fund could be completely disruptive to a predictable positive return). However, for investors with longer time horizons, a Floating NAV fund with an improved return could be an attractive option for many investors.

We appreciate the opportunity to comment on the Commission's proposal and strongly urge the Commission to consider amending Rule 2a-7 to permit Registrants the option of offering money market funds with both a Stable and Floating NAV. Ultimately, DIMA believes investors should be given this choice, and believes they will be adequately protected by either the newly proposed tighter restrictions in a Stable NAV fund or the added pricing transparency and risk mitigation of a Floating NAV fund.

Please do not hesitate to contact us should you have any questions.

Sincerely,

/s/ Joe Benevento
Managing Director

---

[4] See for example, *"Talking Points: It's Time to Admit That Money Funds Involve Risk"* by Joe Nocera, NY Times, Aug. 29, 2009 Mr. Nocera notes as follows: "Here's the other way we could go: we could return to the floating N.A.V. There would still be rules about what kinds of securities a money market fund could hold, but it would also be a market-driven acknowledgment that money market funds were riskier than bank accounts. The proof would be the fact that the N.A.V. would occasionally fluctuate."

APPENDIX A

Additional Comments of Deutsche Investment Management Americas Inc. to the Release

In addition to the comments set forth in the main body of our comment letter to the Commission with respect to the Release, DIMA sets forth below some specific concerns and comments with what is proposed by the Commission with respect to Stable NAV funds. (Capitalized terms not otherwise defined and used herein shall have the meanings ascribed to them in our letter.)

MINIMUM LIQUIDY REQUIREMENTS

The Commission's proposal would require money funds to have a minimum daily and weekly percentage of their assets in securities that can be readily converted to cash with different liquidity requirements for retail and institutional money funds. While we are generally in favor of minimum liquidity requirements to fund redemptions, we oppose different thresholds for money funds based on whether their investors are considered retail or institutional. While some fund sponsors do offer money funds primarily to clearly identifiable groups of retail or institutional investors, many money funds include a combination of both types of investors that are not so easily categorized. There are important areas of overlap between retail and institutional investors that can make distinctions between types of investors difficult and therefore inconsistent across the industry. Additionally, not all institutional investors act the same way. Although some institutional investors do suddenly move large blocks of shares affecting a fund's ability to meet other redemption requests, other institutional shareholders move assets on a pre-set schedule and make efforts to avoid disrupting the fund with large, unexpected redemptions. Furthermore, if the practical consequence of the separate liquidity requirements would be to effectively mandate segregation of retail and institutional investors into two different funds, both types of investors could be disadvantaged. Money funds can provide a low-cost cash vehicle for both retail and institutional investors though economies of scale obtained by the pooling of investments of many retail investors with the large balances of institutional investors. We urge the Commission to not distinguish between retail and institutional investor bases in adopting daily and weekly liquidity standards.

MAXIMUM MATURITY REQUIREMENTS

The Commission has requested comment on whether it should reduce the maximum maturity for individual non-Government securities acquired by a money fund from 397 days to, for example, 270 days. We do not believe that such a change is necessary in light of the proposed reduction in the maximum weighted average portfolio maturity and the new weighted average life maturity test and may actually impair portfolio management. Reducing the maximum maturity limit for individual non-Government securities could be disruptive to some issuers' debt management policies and increase their "rollover" risk from adverse market events. With respect to the term "weighted average life", we believe a more appropriate term for the concept of spread risk is "weighted average credit maturity".

ILLIQUID SECURITIES

The Release would prohibit money market funds from acquiring securities unless, at the time of acquisition, they are liquid. We believe that a money fund should retain the ability to invest up to 10% of its assets in illiquid securities as is currently the case. This proposal could stifle innovation as many new money market security structures are considered illiquid until a broader market has been established. The proposed daily liquidity and weekly liquidity requirements for money funds should provide these funds with ample liquidity to meet redemptions, even in times of market stress.