



GE Asset Management

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United States

September 8, 2009

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

Re: Money Market Fund Reform (File Number S7-11-09, Release No. IC 28807)

Dear Ms. Murphy,

GE Asset Management Incorporated (“GEAM”) appreciates the opportunity to comment on the Commission’s proposals to amend Rule 2a-7 and certain other rules that govern money market funds under the Investment Company Act of 1940, as amended. GEAM generally supports the Commission’s proposals and believes that with certain suggested changes, the proposals would provide the framework that will strengthen the protection of money market investors and preserve the vital role that money market funds have played in our economy for a long time.

I. Executive Summary

A summary of GEAM’s comments is set forth below, and is followed by a more detailed discussion of those comments.

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

1. **Portfolio Liquidity** – GEAM supports the Commission’s proposal to require daily and weekly minimum liquidity thresholds for money market funds. However, we strongly oppose different regulatory thresholds for money market funds depending on whether their investors are considered retail or institutional.
2. **Portfolio Weighted Average Maturity** – GEAM supports reducing the current dollar-weighted average maturity (“DWAM”) to further protect against interest rate risk. However, we believe that reducing the DWAM from the current 90 days to 75 days (rather than the proposed 60 days) would provide for a better balance of reducing interest rate risk while maintaining investment flexibility.
3. **Portfolio Holdings Disclosure** – GEAM supports the Commission’s proposal to require monthly portfolio holdings disclosure for money market funds. However, we request that the Commission reconsider its proposed requirement that the fund’s schedule of investments be disclosed in conformity to Regulation S-X, and to maintain such portfolio holdings disclosure on the fund’s website for 12 months. Additionally, we also request that the Commission consider extending the lag time for this disclosure from the proposed 2 business days to 5 business days.
4. **Public Disclosure of Form N-MFP** – GEAM supports the Commission’s proposal to require money market funds to file detailed portfolio information with the SEC on Form N-MFP on a

monthly basis. However, we request the Commission consider extending the lag time for filing such disclosure from the proposed 2 business days to 10 business days, and to reconsider making such information publicly available two weeks after filing.

B. Commission's Request for Additional Comments

1. **Floating NAV** – GEAM strongly opposes requiring money market funds to effect shareholder transactions at a floating NAV, as we believe that this would likely lead to a significant outflow of assets from the money market funds into traditional banks.
2. **Public Disclosure of Market Based Pricing** – GEAM opposes requiring money market funds to publicly disclose market based pricing of its portfolio holdings, as we believe that such disclosure would unnecessarily create confusion among investors and promote cash flow volatility.

II. Detailed Discussions on Proposed Amendments to Rule 2a-7

A. Portfolio Liquidity

The Commission is proposing to require daily and weekly liquidity thresholds for money market funds, with different thresholds for retail and institutional money market funds. The proposal would require a money market fund's board of directors to determine, no less frequently than once each calendar year, whether the fund is an institutional money market fund based on certain factors such as the character of the investor base, the minimum amount required to open accounts in the fund, and the fund's historical cash flow. Although we support the Commission's proposal to require daily and weekly liquidity thresholds, we strongly oppose requiring different regulatory thresholds for "retail" and "institutional" money market funds for the following reasons:

1. While some fund sponsors do offer money market funds to clearly identifiable retail or institutional investors, many funds (including a GEAM sponsored money market fund) are offered to both retail and institutional investors through different share classes. This combination of having both retail and institutional investors within the same money market fund would create unique challenges for a fund board when determining a fund designation. Further, a fund's investor base may change during the year that may require the fund board to perform periodic "redesignation" of the fund, thereby relegating the fund board to that of an active manager of the fund's liquidity rather than that of one performing an oversight role. The periodic redesignation of the fund would also be disruptive to the prudent management of the fund and could disadvantage both types of investors.
2. Having a bright line rule to differentiate between a retail and an institutional investor may be oversimplifying the true nature and behavior of the ultimate shareholder. For example, a large "institutional" account that is an omnibus account made up of numerous defined contribution plan participants, may lack the type of central decision making authority that would pose the mass redemption risk and liquidity issues of a typical institutional investor. On the other hand, you may have a "retail" investor that may pose such issues for a fund, i.e. an individual with a large balance.
3. A more effective and efficient manner of addressing liquidity risk concerns would be to create a more attentive portfolio management culture that adopts robust portfolio stress testing, promotes "know your

investor”¹ best practices, and complies with the general liquidity requirements suggested by the Investment Company Institute (ICI), i.e. a daily liquidity of 5% for all taxable money market funds and a weekly liquidity requirement of 20% for all money market funds.

If the SEC nevertheless remains convinced that separate liquidity requirements are necessary for “retail” and “institutional” money market funds, we believe that the weekly liquidity requirement for institutional funds should not exceed 20%. GEAM estimates that requiring a 30% weekly liquidity requirement for institutional money market funds could result in an approximately 10 basis points reduction in yield for such funds.² This is in contrast to the 2-4 basis points yield reduction that the Commission had estimated for all of its proposed changes to Rule 2a-7 relating to portfolio quality, portfolio maturity and liquidity requirements.³ Further, we anticipate that if the 30% weekly liquidity requirement is adopted for institutional money market funds, we could see a more pronounced yield widening effect as a result of supply/demand dynamics, i.e. there would be an increase in demand for securities with 7-day maturities or less, which would result in a corresponding decrease in yield for such instruments. Consequently, we could also anticipate a reduced demand for longer-dated instruments (i.e. instruments with maturities of greater than 7-days), which would adversely impact the short-term financing for issuers of such instruments.

B. Portfolio Weighted Average Maturity

GEAM supports the Commission’s efforts to limit the exposure of money market fund investors to interest rate risk by reducing the DWAM. However, we believe that reducing the DWAM to 60 days would unduly constrain the ability of money market funds to produce adequate yields, especially in low interest rate environments. We believe that limiting the DWAM to 75 days would adequately protect money market fund investors from interest rate risk while providing investors with the benefit of higher returns.

C. Portfolio Holdings Disclosure

The Commission has proposed to require money market funds to post monthly portfolio information on their website, and to disclose a fund’s schedule of investments in conformity to Regulation S-X. The proposed rule would also require a fund to post its portfolio information no later than the second business day of the month, and to maintain the information on the website for at least twelve months.

GEAM supports the Commission’s proposal to require monthly disclosure of portfolio holdings information for money market funds, and we agree that such disclosure would provide greater transparency of the fund’s investments for current and prospective investors. GEAM does not however believe that these disclosures should be subject to the requirements of Regulation S-X, as the Commission has proposed. This requirement would impose a significant additional burden on money market funds while providing information that may be of little value or interest to investors. We therefore recommend that the Commission remove the requirement of Regulation S-X from its final rule, and to instead require monthly disclosure of portfolio holdings information that would be simple for investors to understand and that can be consistently applied across all money market funds. GEAM suggests that the Commission require the disclosure of the following fields for each security: name of issuer, security description, principal amount of the security and current amortized cost.

¹ As provided in the ICI Money Market Working Group Report (“MMWG Report”), the “know your investor” procedures could include material thresholds for individual clients, types of clients, or both, that can mitigate the risk to a fund that its liquidity levels are not sufficient for its client base.

² This is based on a yield difference for institutional funds that maintain a 60-day DWAM under the current interest rate environment

³ Money Market Fund Reform, 74 Fed. Reg. at 32723.

Further, GEAM requests that the Commission consider extending the lag time for the portfolio holdings disclosure from the proposed 2 business days to 5 business days. We believe that such additional time is necessary to ensure accurate disclosure of the required information.

Finally, GEAM also requests that the Commission reconsider its proposal to require money market funds to maintain the monthly holdings information on its website for twelve months. We believe that the maintenance of multiple months of data on the website would be very costly for fund companies and confusing to investors looking for current information. GEAM recommends that the Commission instead require money market funds to make previous months' data available to shareholders upon request.

D. Public Disclosure of Form N-MFP

The Commission has proposed to require money market funds to file detailed portfolio information with the SEC on Form N-MFP on a monthly basis with a 2 business day lag, and has also proposed to make such information publicly available two weeks after filing.

GEAM generally supports the Commission's efforts to provide greater transparency into money market fund holdings. However, in light of the proposal to require monthly disclosure of portfolio holdings information on a money market fund's website, we would not favor making the information on Form N-MFP publicly available. We believe that the technical nature of the information that would be disclosed on Form N-MFP will not readily be understandable by an average investor and may in fact be confusing.

Further, GEAM requests that the Commission consider extending the lag time for the filing of Form N-MFP from the proposed 2 business days to 10 business days. We believe that such additional time is necessary to ensure accurate reporting of the required information.

III. Detailed Discussions on Commission's Request for Additional Comments

A. Floating NAV

The Commission is seeking comment on whether the concept of a floating NAV should be introduced to the money market funds. GEAM strongly opposes any amendment that would require money market funds to effect shareholder transactions at a floating NAV, for the following reasons:

1. The certainty of a stable \$1.00 NAV is the hallmark of a money market fund in which it provides fund shareholders a convenience and simplicity when it comes to tax, accounting and recordkeeping. Therefore, a shift to a floating NAV would impose a variety of burdens on funds and investors, including significant and expensive changes to the operational and recordkeeping systems.

2. Increasing the tax and accounting burden on investors would likely lead to a significant outflow of assets from the money market funds into traditional banks. Since money market funds are generally known to serve as a reliable source of direct, short-term financing for the U.S. Government, financial and non-financial corporations and municipal issuers, a significant outflow of assets from money market funds would likely decrease the funding available to such entities, which in turn may have potential unforeseen consequences for the economy.

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B. Public Disclosure of Market-Value Based Pricing

The Commission is also seeking comment on whether money market funds should publicly disclose the market-based net asset value per share and the market-based prices of their portfolio securities, as part of the proposed requirement relating to the monthly disclosure of portfolio holdings information on a fund's website. GEAM opposes the public disclosure of any form of market-value based pricing for money market funds. We believe that such disclosure would likely cause investor confusion especially if there is a difference between such price and amortized cost. We also believe that the disclosure of such information may also create arbitrage opportunities for sophisticated institutional investors that could lead to increased cash flow volatility and market instability, all at the expense of the less sophisticated retail investors.

We would like to thank the Commission for the opportunity to comment on the proposals. Should you have any questions regarding this letter, please contact me at (203) 708-3234 or JoonWon Choe at (203) 708-2726.

Sincerely yours,

/s/ Matthew J. Simpson
Matthew J. Simpson
Executive Vice President & General Counsel

cc: Honorable Mary L. Schapiro, Chairman
Honorable Kathleen L. Casey, Commissioner
Honorable Elisse B. Walter, Commissioner
Honorable Luis A. Aguilar, Commissioner
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