August 29, 2008

U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Attention: Ms. Florence E. Harmon, Acting Secretary

Re: File No. S7-19-08: References to Ratings of Nationally Recognized Statistical Rating Organizations

Ladies and Gentlemen:

I am writing on behalf of the Denver-based Board of Trustees of the Oppenheimer Funds. Our Board, which consists of nine independent Trustees and one management Trustee, oversees 39 investment portfolios with about $80.6 billion in assets. Among these portfolios are the seven money market funds noted above, which have total assets of about $6.6 billion.

The Commission recently proposed changes that would modify the terms of Rule 2a-7 under the Investment Company Act of 1940 to eliminate references to nationally recognized statistical ratings organizations (“NRSROs”). In our view, the Commission’s proposal is flawed. If implemented, it would change the nature of a board’s role under the Rule by increasing our workload without any apparent benefit to fund investors. The changes also would require skills that most fund directors lack. For the reasons discussed below, we urge the Commission to retain the status quo. If, nonetheless, the Commission determines that Rule 2a-7 should no longer exist in its present form, we offer an alternative approach that we believe would allow the Commission to pursue its goal of removing its “official seal of approval” from NRSROs while avoiding the problems that concern us.

Background

Rule 2a-7 currently employs two mechanisms that work in tandem to help ensure that money market funds will have portfolios comprised of high credit quality securities. A security must fall within the definition of “Eligible Security” before it can be purchased by a money market fund. In most cases, an Eligible Security will be a security rated by one or more NRSROs in one of the two highest short-term rating categories. The money market fund’s board
of directors, in reliance on the credit reviews made by the Fund’s investment adviser, then must determine that those securities represent “minimal credit risk.” This determination has to be based on factors pertaining to overall credit quality in addition to any rating assigned to the securities by an NRSRO.

Reduced to its most basic terms, Rule 2a-7 requires money market securities to pass an initial screening performed by an independent third party (an NRSRO) even before the board and the adviser can determine whether those investments present minimal credit risk. Rule 2a-7 is structured so that the primary role of the board of directors is to oversee internally developed processes designed to verify that pre-screened, nominally high quality securities do, in fact, present minimal credit risk.

Contrast this arrangement to the proposed amendments. The Commission seeks to delete the references to NRSROs. Instead of the two-part process in which securities are first screened by an independent third party and then the board, the directors of a money market fund now would be responsible for determining the initial credit quality of the securities, not merely verifying it. We submit that no board can, or should be asked to, fill this vital role.

Our Concerns

The increase in work for boards would be crushing. The proposal would essentially require an in-depth credit review and approval by the board of every new security purchased. Given the rapid portfolio turnover of money market funds, we fear that this new burden could quickly become a virtually full-time job. If such an endeavor were worthwhile and resulted in a clear advantage to fund investors, we would not hesitate to undertake it. But to suggest that fund boards could take on the role of NRSROs is, we respectfully suggest, folly.

Moreover, the proposed changes would continue the Commission’s growing tendency to fall back on fund boards as a regulatory stop-gap, a trend that some on the Commission Staff have been working hard to reverse. Division Director Donohue noted in a speech at the 2007 Mutual Funds and Investment Management Conference that his goal is “...to make sure that we have not so overloaded fund boards that it is difficult for them to effectively perform their oversight role.” The Commission's proposal, if adopted, unfortunately would be a giant step backward.

Finally, fund directors are not naturally suited to this new role. Our Board, like most, is comprised of intelligent, well-educated, experienced and financially savvy individuals—but they are not credit analysts. The Commission’s proposals would require specialized skills that most fund directors simply don’t have.

Conclusion

We understand that some believe NRSROs are broken. Why not try to fix them, rather than replace them with an unrealistic alternative? If the Commission, however, remains determined to remove references to NRSROs in Rule 2a-7, we respectfully suggest that the Commission rework its proposal so as to require investments in securities that have been rated “high quality” by a “major rating service.” The Commission could then define a “high quality”
rating as one of a rating service’s two highest short-term ratings, making clear that the
determination of which entities are deemed to be “major rating services” would be left to the
business judgment of the directors. This approach, which our counsel has informed us tracks the
original version of Rule 2a-7 and earlier Commission exemptive orders, would maintain the
traditional structure of Rule 2a-7 while sparing the board from the responsibility of being the
ultimate arbiter of credit quality and sparing the Commission from endorsing any particular
NRSRO.

We welcome the opportunity to comment on this significant proposal.

Very truly yours,

/s/ William L. Armstrong

William L. Armstrong
Chairman of the Board

cc: George C. Bowen, Trustee
    Jon S. Fossel, Trustee
    Richard F. Grabish, Trustee
    Robert J. Malone, Trustee
    Edward L. Cameron, Trustee

    Sam Freedman, Trustee
    Beverly L. Hamilton, Trustee
    F. William Marshall, Jr., Trustee
    John V. Murphy, Trustee