June 11, 2012

Mr. Mohamed Ben Salem
International Organization of Securities Commissions
Technical Committee
Calle Oquendo 12
28006 Madrid
Spain

Re: Public Comment on Money Market Fund Systemic Risk Analysis and Reform Options

Dear Committee Members:

Thank you for the opportunity to comment on this important initiative. Treasury Strategies is a leading consultancy in the area of treasury, payments and liquidity. Our clients are corporations and financial institutions worldwide.

Money Market Funds (MMFs) are important short-term cash management vehicles for our corporate consulting clients. As such, our firm has paid close attention to financial reform rulemaking and regulatory changes related to MMFs.

We are concerned that MMFs are the subject of undue regulatory focus, perhaps because they have been misidentified as a proximate contributor to the financial crisis.

Our analysis shows something quite different: MMFs were only tangentially involved in the crisis, and several much more significant events should be given much weightier consideration than MMFs.

The attached document highlights some straightforward and important facts:

- Investment capital actually started seeking higher ground in 2007, and some types of risky investments were gradually deserted. These moves did not cause market upheaval because they were understood and anticipated by the market.

- The government's decision to not rescue Lehman Brothers, after its long history of other bailouts, was a major course change. This flip-flop was not anticipated by all market players – hence the problems when the Reserve Fund had to stop redemptions. Yet, damage was contained within a few MMFs and no other MMF was mortally wounded.

- The unprecedented, huge bailout of AIG the night after Lehman failed was the surprise that shook the market to its core and prompted investor panic. Just a day earlier, all three rating agencies had reaffirmed AIG's investment grade rating.

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- MMFs were not the cause of the financial crisis. In fact, investment capital sought the safety of MMFs in the days and weeks following the crisis – even without federal government guarantees.

Regulators around the world continue pushing for further MMF reforms, despite MMFs already being extremely well-regulated, well-reported and transparent. If implemented, new rules would result in significantly smaller MMFs with two negative outcomes: 1) some displaced investment funds will add to concentration in the banking sector and 2) others will flow into less regulated and less transparent instruments and jurisdictions.

Finally, we must note that MMFs around the world vary widely. They differ in terms of their use, purpose, composition and accounting requirements. They operate in regional capital markets that are materially different in terms of depth, breadth, resiliency and rule of law. Therefore, prescriptive attempts at regulation will not be feasible.

If the post-crisis financial reform opportunity is to come close to accomplishing any lasting benefit, the focus must be on the most difficult areas of the financial markets rather than those that are already cleanly regulated.

Sincerely,

Tony Carfang
Partner

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Partner

Enclosure

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