



October 14, 2014

VIA E-MAIL TO RULE-COMMENTS@SEC.GOV

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

RE: Structured Finance Industry Group Comments on Money Market Fund Reform
Release No. IC-31184, File No. S7-07-11 (the “**Release**”)

Dear Ms. Murphy:

The Structured Finance Industry Group (“**SFIG**”) appreciates the opportunity to comment on the Release issued July 23, 2014 by the Securities and Exchange Commission (the “**SEC**”) regarding revised regulations for money market mutual funds. SFIG is a broad-based, member-directed non-profit organization dedicated to providing education and advocacy on matters relating to the structured finance, securitization and related debt capital markets, and to providing a forum for exchanging ideas and career development for members.¹ Our views as expressed in this letter are based on feedback received from our broad membership.

As part of the Release, the SEC is proposing an amendment to Rule 2a-7 (“**Rule**”) under the Investment Company Act of 1940, as amended, that would provide that each money market fund that invests in a security that is subject to a guarantee (whether or not the guarantor is a non-controlled person) would have to comply with both the 10 percent diversification requirement with respect to the guarantor and the 5 percent diversification requirement with respect to the issuer of the security. We are concerned that this amendment would unnecessarily restrict the amount of asset-backed securities (“**ABS**”) available for purchase by money market funds.

The proposal would in particular affect asset-backed commercial paper (“**ABCP**”). ABCP is a form of ABS issued by a special purpose entity (an “**ABCP conduit**”) that is frequently sold to money market funds. ABCP is an important source of funding to the real economy, providing substantial funding of trade receivables, auto loan and lease receivables, equipment loans and leases, student loans and credit card and consumer loan receivables and

¹ Structured Finance Industry Group (available at <http://www.sfindustry.org>).

other corporate and consumer financial assets.² As of June 30, 2014, money market funds held over \$89 billion³ of ABCP representing approximately 36% of the overall ABCP market.⁴

As the SEC correctly points out in the Release, guaranteed securities have the benefit of two repayment sources: funds available from the issuer of the security and the guarantee. Both the issuer and the provider of the guarantee would be required to default for the money market fund to suffer a loss. The SEC has provided for the higher 10 percent limit on the indirect exposure of a money market fund to a guarantor in part because of this “double-barreled” protection.

In our view, the same logic should apply in imposing an issuer diversification limit on guaranteed securities. The presence of a guarantee would reduce the overall reliance of a money market fund on the creditworthiness of an issuer as compared to unguaranteed securities. We would therefore respectfully suggest that a 10 percent issuer diversification limit should be applied under the Rule for securities of an issuer that are guaranteed by a non-controlled person within the meaning of the Rule.

It logically follows that the creditworthiness of any single obligor of an asset-backed security would be less significant if that security is guaranteed. We therefore respectfully suggest that an obligor of an asset-backed security only be treated as an issuer of that security if its obligations constitute 20 percent of the obligations of that security rather than applying the “10 percent obligor” provisions under Section (d)(3)(B) of the Rule.

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² For example, as of June 30, 2014, multi-seller asset-backed commercial paper conduits financed approximately \$59 billion of trade receivables, \$73 billion in auto loan and lease receivables, \$9 billion of equipment loans and leases, \$9 billion of student loans and \$19 billion of credit card and consumer loan receivables. Source: Moody’s Investors Service, ABCP Market at a Glance: ABCP Multiseller Market Snapshot, September 1, 2014.

³ Source: Crane Data, *Money Fund Intelligence* (as of June, 2014).

⁴ Source: The Board of Governors of the Federal Reserve System (reporting not seasonally adjusted ABCP outstanding of \$250 billion as of June 30, 2014) (*available at* <http://www.federalreserve.gov/releases/cp/>).

SFIG appreciates the opportunity to provide the foregoing comments. Should you wish to discuss any matters addressed in this letter further, please contact me at (571) 296-6017 or at richard.johns@sfindustry.org.

Very truly yours,

A handwritten signature in black ink, appearing to be 'R. Johns', written over a horizontal line.