

50 Hurt Plaza, SE Suite 1400 Atlanta, GA 30303

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; Release No. IC-28807; File No. S7-11-09

Dear Ms. Murphy:

RidgeWorth Investments ("RidgeWorth")¹ has managed money market mutual funds since 1992 and currently manages approximately \$20 billion in assets across nine money market funds. RidgeWorth is appreciative of the Commission's attention and efforts regarding this important market segment and of the opportunity to provide our comments on these critical proposals.

RidgeWorth supports a significant portion of the Commission's proposed changes to amend Rule 2a-7 and related rules and interpretations regarding money market funds and believes these actions are critical in restoring industry and investor confidence in these important investment vehicles.<sup>2</sup>

While RidgeWorth has some notable comments and considerations around the details of some of the proposed changes,<sup>3</sup> we support the general direction of many of the Proposals, including:

- The implementation of daily and weekly liquidity requirements for retail and institutional funds;
- The elimination of the ability to purchase illiquid securities and second tier securities;
- The introduction of the maximum weighted average life metric (120 days) and related limitations;
- · Periodic stress tests:
- Requirement that repurchase agreements be fully collateralized by U.S. Government and Agency Securities or cash items;
- Proposed Rule 22e-3; and
- Both proposals with respect to the expansion of Rule 17a-9.

Several of the Proposals that we believe warrant further comment:

## Portfolio Quality

RidgeWorth strongly opposes the removal of NRSRO ratings from Rule 2a-7. RidgeWorth proposes that a money market fund be required to designate and disclose (within its Statement of Additional Information) three NRSROs with respect to its investments. The respective ratings of these NRSROs would constitute just one factor within an adviser's overall credit analysis of each of the issuers held within a money market fund. RidgeWorth also recommends the continued use of the three highest categories of long-term ratings from an NRSRO with respect to unrated securities (i.e., securities for which there are no short-term ratings).

#### Portfolio Maturity

RidgeWorth believes the Commission's proposed reduction to a 60 day "maximum weighted average maturity" requirement would unnecessarily restrict an adviser during certain market conditions. Rather, RidgeWorth suggests 75 days as a reasonable compromise. Of course, RidgeWorth believes that each

<sup>&</sup>lt;sup>1</sup> RidgeWorth Investments is a trade name for RidgeWorth Capital Management, Inc. RidgeWorth serves as investment adviser to a diversified array of 50 mutual funds. As of June 30, 2009, RidgeWorth was ranked the 25th largest money market fund provider in the United States (source: iMoneyNet.com).

<sup>&</sup>lt;sup>2</sup> See Money Market Fund Reform, SEC Release No. IC-28807 (June 30, 2009), (referred to herein as the "Proposals").

<sup>&</sup>lt;sup>3</sup> In order to avoid restating the details within the Commission's Proposals and the Investment Company Institute's related comment letter, references to each of those documents are included, as appropriate.

fund company must manage to a risk profile that will allow it to meet the objectives of its shareholders and still comply with the tenets of any final regulations.

Further, RidgeWorth supports the concept of a weighted average life metric and believes that this new metric will add additional protection to money market funds by measuring to final maturity, regardless of interest rate resets. RidgeWorth believes that the 120 day maximum weighted average life is appropriate.

# **Portfolio Liquidity**

With respect to those investments that would qualify as meeting the daily and weekly liquidity requirements, RidgeWorth generally agrees with those included within the Proposals. However, we believe that repurchase agreements and money market funds whose proceeds are required to be delivered to the investing money market funds within one business day should qualify towards the minimum daily liquidity requirement, and those within five business days should qualify towards the minimum weekly liquidity requirement. Additionally, we recommend that the Commission treat fixed-rate government securities with a remaining legal maturity of 95 days or less as weekly liquid assets.

Further, RidgeWorth does agree that different investors have varying liquidity requirements and today we maintain both retail and institutional funds in order to better meet the needs of our investors. However, we believe the definition of "retail" and "institutional" and the related requirements of a fund's board and adviser are critical to determine if an enforceable industry distinction would be practical. Therefore, RidgeWorth respectfully requests that the Commission provide clearly defined parameters with respect to these definitions taking into account omnibus ownership structure.

We currently monitor our investor concentrations at the record holder level, cash flows and other historical behavioral characteristics of each of the money market funds to determine the appropriate levels of liquidity. These behavioral patterns do support a lower level of flow volatility and therefore lower liquidity demands in our "retail" funds versus a higher level in our "institutional" funds.

From an investor concentration perspective, we believe that it is appropriate to monitor at the record holder level and that neither the adviser nor the fund's board should be required to "drill down" through omnibus accounts into the underlying shareholder base given the difficulty, costs, complexity, and inability to obtain that underlying detail, as well as the limited amount of additional perspective we believe that would provide. However, we do believe it is important to attempt to understand the overall dynamics of that customer base. For example, in our retail funds, there are more omnibus accounts that are composed of many smaller investors, so historically those funds have experienced greater stability. In the institutional funds, we tend to have more individual investors (corporations, foundations, etc.) making independent decisions regarding their larger balances; therefore, those shareholders' investment decisions can have a greater impact on the funds.

In short, we agree a distinction can be made – however, we believe the burden imposed on the adviser and/ or board should be limited to monitoring the funds for expected behaviors to seek to ensure that the liquidity parameters remain appropriate. Further, money market funds should be required to make appropriate disclosures to clearly convey their expected liquidity practices to current and prospective shareholders. However, ultimately, if such a distinction is made, we believe that the determination of suitability should fall to the underlying shareholders or their financial adviser and/or intermediary.

RidgeWorth agrees with the Commission that there should be policies and procedures in place with respect to understanding and evaluating risk related to the "characteristics of its investors and their likely liquidity needs." However, RidgeWorth believes these should be restricted to clearly defined parameters such as those related to historical net flows.

In addition, RidgeWorth supports the concept of required stress testing of credit risk, shareholder redemptions, and interest rate changes with respect to money market funds and currently employs a stress testing process. However, the parameters, measurements, and frequency of such testing are critical in determining the test's effectiveness, as well as ensuring it will be able to be applied consistently across the industry. Further, the requirements should be clearly defined and feasible with respect to frequency as well as application. Therefore, RidgeWorth may disagree with this requirement dependent upon the Commission's final determination.

<sup>&</sup>lt;sup>4</sup> Money Market Fund Reform, SEC Release No. IC-28807 (June 30, 2009).

### Disclosure of Portfolio Information

While RidgeWorth generally supports the Proposals regarding the posting of monthly money market fund holdings on a fund's website, reporting of monthly money market fund holdings to the Commission, and if applied, the amendment to Rule 301b-5, we find that certain elements of the Proposals, such as suggested timing, may result in data inaccuracies and be cost prohibitive. RidgeWorth fully agrees with the Investment Company Institute's comments provided to the Commission<sup>5</sup> on these three matters. In addition, in response to the Commission's request for comments, we agree with the Investment Company Institute's comments on the public disclosure of market-value based information.

### **Processing of Transactions**

RidgeWorth agrees with the Commission that a money market fund's transfer agent should have the ability to process shareholder transactions at a net asset value of other than a dollar if the fund "broke the buck". However, prior to implementing such a requirement, thorough examination should be conducted as to the implementation time and the costs and effort of the significant changes which would be required to be made by fund service providers, record keepers, and intermediaries to comply with such a requirement.

In addition, our comments on those items which are not part of the Proposals:

### Floating Net Asset Value

RidgeWorth strongly supports the continued use of a \$1.00 stable net asset value for money market funds and agrees with the comments made by the Investment Company Institute to the Commission on this topic.<sup>6</sup> It is RidgeWorth's opinion that any variance from that standard would lead to monumental outflows from money market funds to other stable priced instruments, which would have a detrimental effect on all mutual fund shareholders who currently have the ability to temporarily invest in money market funds.

Further, if this change were made, today's money market funds would effectively become ultra-short bond funds, which are another current option for fund investors. Therefore, we strongly assert that eliminating the option of a \$1.00 stable net asset value fund is not in the best interest of mutual fund shareholders.

# In-Kind Redemptions

RidgeWorth strongly opposes the implementation of a new regulatory requirement which would require a money market fund to fulfill large redemptions with portions of its money market instrument holdings. Our belief is that mandatory in-kind redemptions of money market funds are operationally impractical and could have a detrimental effect upon the valuations of those holdings received in-kind due to subsequent liquidation without the assistance of professional investment managers. Rather, RidgeWorth thinks the current structure is more prudent and beneficial to fund shareholders and that the adviser, as part of its fiduciary obligation to all shareholders of the fund, should make that determination based on both the facts and circumstances and in compliance with its registration mandates and applicable fund policies and procedures.

We thank the Commission for considering our comments. Please contact me at (404) 588-8017 if you have any questions regarding this letter.

Sincerely yours,

David Eidson

Chairman and Chief Executive Officer RidgeWorth Capital Management, Inc.

cc: The Honorable Mary L. Schapiro, Chairman

The Honorable Kathleen L. Casey, Commissioner

The Honorable Luis A. Aguilar, Commissioner

The Honorable Luis A. Aguilar, Commissioner The Honorable Troy A. Paredes, Commissioner

Andrew J. Donahue, Director, Division of Investment Management

Robert E. Plaze, Associate Director, Division of Investment Management.

<sup>&</sup>lt;sup>5</sup> See Comment Letter, Investment Company Institute (Sep. 8, 2009), available at <a href="http://www.sec.gov/comments/s7-11-09/s71109.html">http://www.sec.gov/comments/s7-11-09/s71109.html</a> ("ICI Comment Letter").

<sup>&</sup>lt;sup>6</sup> See ICI Comment Letter.