



The Reserve

A Tradition of Financial Innovation<sup>SM</sup>

August 28, 2008

Securities and Exchange Commission  
Attention: Ms. Florence E. Harmon, Acting Secretary  
100 F Street, NE  
Washington, DC 20549-1090

Re: File No. S7-19-08

“The SEC has not approved or disapproved ... any representation to the contrary is a criminal offence.”

Yet “Approval” is exactly what you do when you designate an NRSRO. You then compound the felony (criminal offence – see above) by codifying their use in Rule 2a-7. Furthermore, the very existence of such a designation and your tacit endorsement of the designees encourages investors and many money fund sponsors to defer to these organizations which is, at best, a questionable policy. When The Reserve created Rule 2a-7 (Rule 2a-7 is effectively the codification of the original Reserve Fund prospectus) we specifically stated “prime obligations” and never referred to any rating agency since our experience was that they were not reliable, and, thirty-eight years later, our judgment has been dramatically reaffirmed. Further, The Reserve never sought to “buy” a rating until about seven years ago when we decided to solicit investments from insurance companies and municipalities whose regulators have, unfortunately, succumbed to codify the requirement of an NRSRO designation. Quite frankly, The Reserve is questioning the morality of promulgating our triple A rating in that by doing so we are giving the NRSRO credibility that they do not appear to deserve and, implicitly, encouraging investors to rely on these ratings rather than undertaking their own due diligence of The Reserve. Cash is the largest asset class but the least researched primarily because of the unwarranted deferral to NRSRO designations, which is obviously not in the best interests of the investor or our financial system and should not be perpetuated.

We strongly support your elimination of the NRSRO requirement in Rule 2a-7 and further the elimination of the anointing of any entities as NRSRO's as it will either force money fund providers to develop credit expertise, which many obviously don't possess, or get them out of the business which also would increase the integrity of money market funds. All money market funds are not equal. And, in that vane, the SEC should also review the appropriateness of brokers restricting client access to only their in-house money funds. Your clean up efforts with regard to brokerage firms pushing in-house stock and bond funds (Tully Commission) was a major benefit to investors, money fund choice is, at least, equally important.

The SEC does not endorse stock rating services why are credit rating services any different?

Very Truly Yours,

  
Bruce R. Bent  
Chairman