



The Reserve

A Tradition of Financial Innovation

September 5, 2008

Via Email
Attention: Ms. Florence E. Harmon, Acting Secretary
100 F Street, NE
Washington DC 20549-1090

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

Dear Ms. Harmon:

We strongly support your elimination of the NRSRO requirement in Rule 2a-7 and further the elimination of the designation of any entities as a NRSRO. The benefit of this action will either be increased credit expertise at money fund providers or a winnowing of the funds offered, both of which would increase the integrity of money market funds.

When I first created the money market fund back in 1970, it was designed with the tenets of safety, liquidity and a reasonable rate of return. What the past year has demonstrated is that these have fallen to the wayside as portfolio managers chased the highest yield and compromised the integrity of the money fund. Lest we forget, the purpose of the money fund is to bore the investor into a sound night's sleep.

The codification of the original Reserve Fund prospectus became Rule 2a-7, however, Rule 2a-7 interjected the ratings agency requirement for eligible securities. We believe that the ratings agencies are unreliable and this past year has borne this out. The money market fund's board of trustees and its investment adviser has a fiduciary duty to the shareholders; this responsibility is not diluted by the presence of ratings for securities in the fund.

Cash is the largest asset class but the least researched primarily because of the unwarranted deferral to and reliance on NRSRO designations, which has shown to be not in the best interests of the investor or our financial system. We support the first amendment that requires mutual fund boards or their delegates to determine that securities in the funds present minimal credit risks and to determine whether the security is a "First Tier Security" or a "Second Tier Security." This process already exists in Rule 2a-7 as boards delegate to investment advisers the determination of minimal credit risk for potential investments.

The liquidity and notice changes are merely codification of existing best practices in the industry and will help further standardize money market funds. Rule 2a-7 has been one of the reasons for the success of the money market fund. Investors act in their own best self-interest and when investors are educated about the product they are able to make the best decisions for themselves. Removing references to NRSROs doesn't mean money fund managers will throw caution to the winds; it simply means that the most experienced and well-researched funds will continue to rely on their own credit evaluations, which ultimately, is in the investors' best interests.

Very truly yours,



Bruce R. Bent
Chairman
The Reserve