

AMERICAN
BANKERS
ASSOCIATION

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PRESIDENT
Lee E. Gunderson
President
Bank of Osceola
P.O. Box 188
Osceola, Wisconsin 54020

July 9, 1981

CHAIRMAN'S OFFICE

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SEC. & EXCH. COMM.

Mr. Joel H. Goldberg
Director
Division of Investment Management
Securities and Exchange Commission
Washington, D. C. 20549

Dear Mr. Goldberg:

I appreciate your June 23 reply to my June 1 letter to Chairman Shad, but I am also very disappointed in your position.

I believe we have reasonable evidence that a large part of the general public which invests in money market mutual funds does so under the mistaken impression that these shares are insured by the Federal Deposit Insurance Corporation. For that reason something more than mere regret is called for. Indeed, I submit that you and your agency have a fundamental responsibility to educate the public on the question. I freely acknowledge that your agency and the money market mutual funds may not have contributed to the ignorance of the investors in a positive way, but, at the same time, no one is doing anything to correct the bias of the public.

I feel reasonably sure that no money market mutual fund will ever draft its advertising in a way which will contribute to the public's mistaken belief on this question. However, the public can also be misled when someone fails to act -- fails to correct an inaccurate public impression. That is the case here and, in my judgment, the SEC, as a responsible federal agency, is obliged to take steps to correct the misimpression of those who invest in these funds. This can be accomplished by a mere requirement that money market mutual funds show in their advertising that money invested in their shares is not protected by any governmental insurance program. If you fail to do this, money market mutual funds may continue to exploit the unfair advantage that flows from the misunderstanding of a large segment of those in the public who invest in these funds.

Mr. Joel H. Goldberg

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CONTINUING OUR LETTER OF

July 9, 1981

SHEET NO 2

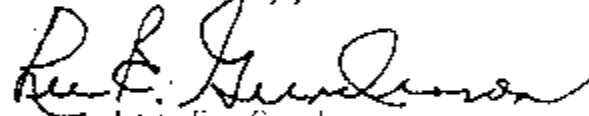


In this connection, I am enclosing a copy of SEC Release No. 9143, published on April 12, 1971. The philosophy of the Securities & Exchange Commission at that time is the very one that I would like to see you use on this occasion. Certainly the money market mutual fund does "invite unwarranted comparisons with bank savings accounts" and, therefore, misleads the public in ways the SEC, in 1971, wished to avoid.

I would appreciate it if you would reconsider your position. ABA feels strongly enough about this matter that it has given some thought to filing a petition for rulemaking to deal with the question, and to taking whatever subsequent steps might be necessary to enforce that petition. However, my hope is that the SEC will act responsibly on this matter short of our filing a petition and any possible litigation on the question.

I look forward to your early reaction to this further expression of the views of the banking community on this matter.

Sincerely,


Lee E. Gunderson
President

Enclosure

cc: The Honorable John S. R. Shad