INVESTMENT COMPANY INSTITUTE

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By Electronic Delivery

March 9, 2016

Helen Hubbard
Associate Chief Counsel (Financial Institutions and Products)
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

RE: Money Market Fund Reform Tax Issues – Withdrawal of Request for Certain Guidance

Dear Ms. Hubbard:

The Investment Company Institute[1] wishes to withdraw its prior request for guidance permitting money market funds to treat certain reorganizations as tax-free under section 368.[2] We understand that none of our members currently plan to utilize such a strategy in preparation for compliance with the Securities and Exchange Commission ("SEC") money market fund rule adopted in 2014. Given the number of other guidance requests pending before the Internal Revenue Service ("IRS") and the Treasury Department, we hope that withdrawing this request will allow the government to focus on more important issues.

With respect to the remaining money market fund guidance requests, we wish to reiterate the industry's priorities. First, the issue for which most immediate guidance is necessary is the diversification of variable insurance product money market funds under section 817(h).[3] Given the quickly approaching compliance deadline for the money market fund rule, mutual fund complexes need guidance on this issue before they can determine whether and how to continue using money market funds in their variable insurance products. In the absence of such guidance, it is unclear whether the use of money market funds in such a way will remain a viable strategy.

[1] The Investment Company Institute (ICI) is a leading, global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's U.S. fund members manage total assets of $16.9 trillion and serve more than 90 million U.S. shareholders.

[2] *See* Institute letter to Hon. Mark Mazur and Hon. William Wilkins, dated October 23, 2014; Institute letter to Michael Novey and Steven Harrison dated March 11, 2015.

[3] *See* Institute letter to Helen Hubbard, dated December 3, 2015.

The second issue for which immediate guidance is necessary is the issue of adviser contributions.[4] Again, fund complexes currently are deciding how to manage their existing money market funds in anticipation of the compliance date of the money market fund rule. The use of adviser contributions may be an important tool necessary to ease the transition for investors from stable net asset value ("NAV") to floating NAV money market funds.

Finally, we note that it remains vitally important to the success of the new SEC rule that the proposed regulations under sections 446 and 6045 be finalized. If the proposed NAV method and the exemption from information reporting are not formally adopted, it is unclear how the new floating NAV rules will work. Although the proposed regulations permit shareholders and funds to rely upon the guidance therein prior to the publication of final regulations, the industry clearly would prefer the certainty that final regulations would provide.

We look forward to discussing these issues with you on Friday, March 18. In the meantime, please do not hesitate to contact us if you have any questions.

Sincerely,

/s/ Karen L. Gibian

Karen Lau Gibian
Associate General Counsel – Tax Law

cc: Erik Corwin
Steven Harrison

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[4] *See* Institute letter to Hon. William Wilkins, dated June 4, 2015.