

ICI VIEWPOINTS

MAY 9, 2012

Independent Directors and Trustees Deeply Concerned About More Changes to Money Market Funds

By Amy Lancellotta

As the SEC continues to consider flawed proposals that would have far-reaching consequences for money market funds, two groups representing mutual fund independent directors and trustees released a joint [statement](#) registering their deep concerns about any further changes to the regulation of these funds.

The Independent Directors Council ([IDC](#)) and the Mutual Fund Directors Forum ([MFDF](#)) issued the statement because independent directors and trustees are worried about the potential collateral consequences of more changes to money market funds. Changes to the fundamental structure of money market funds could have a negative impact on investors, on capital markets, and on the economy in general.

Independent directors and trustees of mutual funds have a crucial role in overseeing the operations of funds on behalf of their shareholders. Their oversight role gives them firsthand experience with and knowledge of the impact of regulation on money market funds. They know the important role of money market funds for their investors and the importance of money market funds to the U.S. capital markets.

In their view, the SEC's [2010 rule amendments](#) served shareholders well, because money market funds have proven more resilient in times of stress. Since the amendments were implemented, these funds have functioned well in volatile markets and in the face of unprecedented challenges, including the impasse over the federal debt ceiling, the historic downgrade of the United States' credit rating, and the sovereign debt crisis in Europe. In short, the SEC succeeded, and shareholders benefited.

In spite of the success of the 2010 amendments, the SEC is contemplating more changes. Reportedly, the Commission is considering a requirement for the net asset value (NAV) of money markets to float instead of retaining a stable \$1.00 NAV, or restricting investor redemptions and imposing capital requirements on money market funds. These changes would render these funds substantially less attractive to investors, and will likely result in investors moving their cash to less-regulated and/or less-transparent products.

In short, there could be serious collateral consequences and negative impacts of changes to the fundamental structure of money market funds on investors. Independent directors and trustees are urging the SEC not to embark on rulemaking until it has a thorough understanding of the financial and economic consequences.

See the full text of the statement [here](#). For more information on money market funds, see ICI's resources on money market funds on its [website](#).

Amy Lancellotta was Managing Director of the Independent Directors Council (IDC).