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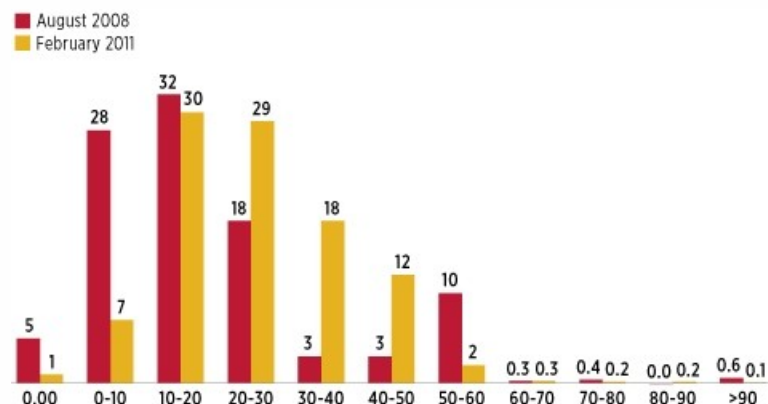
Recent Data Underscores How Money Market Funds Have Responded to Regulatory Changes

By Sean Collins and Michael Breuer

One item discussed at ICI's [2011 Money Market Funds Summit](#) this week was how [recent reforms](#) adopted by the Securities and Exchange Commission (SEC) have made money market funds more resilient and ready to face future periods of severe market stress. The charts below, which we discussed at the summit, illustrate the idea.

The first chart shows the concentration of prime money market funds assets by holdings of repurchase agreements, Treasuries, and other agency securities, with levels in February 2011 compared against August 2008. The side-by-side comparison indicates the real changes since August 2008 in light of the new regulations. Note the rightward shift from the red bars (2008) to the yellow bars (2011) as prime money market funds have increased their portfolio concentration in securities that are very liquid.

Concentration of Prime Money Market Funds' Assets by Holdings of Repo, Treasury, and Agency Securities



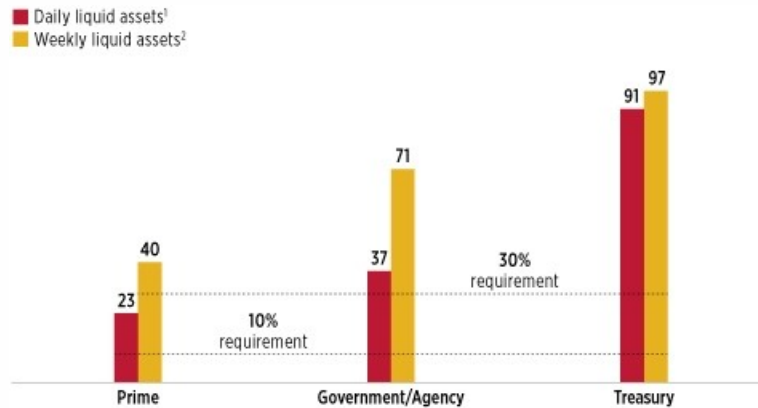
Source: Investment Company Institute

The next chart suggests that funds are not just meeting the new requirements for liquidity—they're exceeding them by a substantial margin. We created this chart using data from the new Form N-MFP that money market funds have been required to file with the SEC since November 2010. This shows data for December 2010; we do not have the data to compare back to 2008 because at the time funds weren't required to report this data.

As an example, prime money market funds have 26 percent of their assets in daily liquid assets and 47 percent in weekly liquid assets. Government/agency funds and Treasury funds, as one might expect, have an even higher percentage of their assets in liquid securities.

Liquid Assets for Taxable Money Market Funds

Percentage of total assets, December 2010



¹Daily liquid assets include securities with a remaining maturity of one business day, Treasury securities of any maturity, and securities with a demand feature that is exercisable within one business day. Securities with a demand feature are excluded if it could not be determined when the demand feature is exercisable and the security does not meet any of the other criteria for daily liquid assets.

²Weekly liquid assets include securities with a remaining maturity of five business days, Treasury securities of any maturity, government agency securities with a remaining maturity of 60 days or less (regardless of whether those securities were initially issued at a discount), and securities with a demand feature that is exercisable within five business days. Securities with a demand feature are excluded if it could not be determined when the demand feature is exercisable and the security does not meet any of the other criteria for weekly liquid assets.

Note: This chart was updated on June 8, 2011, to reflect revisions in data tabulation.

Sources: Investment Company Institute tabulation of Form N-MFP data collected from SEC website, Bloomberg

- Learn more about [money market funds](#).
- Read the summit's [keynote address](#) from F. William McNabb III, Chairman and CEO of The Vanguard Group, Inc.

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