

MONEY MARKET FUNDS IN 2012

The Industry's Strong Record on Reforms

Since 2008, ICI and the industry have spent millions of dollars and hundreds of hours exploring options to strengthen money market funds.

In March 2009—months before the broader financial regulatory reform bill was enacted—ICI put forth a report and recommendations to strengthen money market funds.

- ICI's Money Market Working Group (MMWG) issued an industry study of the money market, of money market funds and other similar participants in the money market, and of recent market circumstances. The MMWG report included wide-ranging proposals for the Securities and Exchange Commission (SEC) to enhance money market fund regulation.

ICI strongly supported the SEC's 2010 money market reforms.

- The SEC's January 2010 reforms adopted many of the MMWG's recommendations and have made money market funds far more resilient in the event of severe market conditions, including loss of liquidity.
- The industry strongly supported the SEC's action and the new credit quality, maturity, liquidity, and disclosure rules that were put into place.

Following regulators' lead, ICI and the industry have explored several options to establish an additional backstop to money market funds in the event of a liquidity crisis.

- ICI spent millions of dollars on outside counsel and consultant fees to develop an idea proposed by the President's Working Group on Financial Markets (PWG) for a liquidity facility.
- Over 18 months, ICI developed a detailed blueprint for a liquidity facility, including how it could be structured, capitalized, governed, and operated.
- In January 2011, ICI proposed what we found to be a promising solution: a new, private facility to provide a liquidity backstop for prime money market funds. It represented a private-sector solution in the event of another liquidity crisis.
 - ICI submitted to the SEC a 50-page comment letter and a 49-page slide presentation as an appendix describing the details of how such a facility might work.
 - The idea was dropped after regulators expressed their lack of interest in pursuing it.

- Individual mutual fund companies have also put forth other ideas to address the challenges identified by the PWG report.

Any realistic reform proposal would have to meet two criteria:

- 1. Preserve choice for investors and competition by ensuring a continued robust and competitive money market fund industry.**
- 2. Preserve the value of money market funds for investors and the economy by maintaining their fundamental characteristics—including a stable \$1.00 per share value and ready liquidity.**

For more information on money market funds, their role in the economy, ICI's efforts to make these funds more resilient in the face of adverse market conditions, and the significant risk of undermining money market funds' value to investors and the economy, please see www.ici.org/mmfs or www.PreserveMoneyMarketFunds.org.