**NEW REGULATIONS, ENHANCEMENTS, PROPOSALS.** The report includes nine new regulations for money market funds (MMFs), eight enhancements or proposed amendments to tighten rules or practices for MMFs, and two proposals to increase oversight of money market investors other than MMFs. An overview of the Money Market Working Group’s recommendations is below.

**LIQUIDITY.** The Money Market Working Group recommends mandated minimum liquidity requirements that would bring an unprecedented level of regulation to money market fund liquidity.

SEC rules currently do not impose liquidity standards. The report recommends two new requirements: 1) A minimum daily liquidity standard for taxable MMFs such that 5 percent of the fund’s net assets would be in securities accessible within one day; and 2) a minimum weekly liquidity standard for all MMFs such that 20 percent of the fund’s net assets would be in securities accessible within seven days. These requirements would be supplemented by testing the fund’s individual portfolio holdings and shareholder base. (*For more details, see Section 7.1 of the report.*)

**MATURITY.** The Money Market Working Group recommends steps to protect funds against interest rate risks by reducing portfolio maturity.

The recommendations call for reducing the current dollar-weighted average maturity limitation for MMFs from 90 days to 75 days and establishing a new calculation that will further tighten maturities. (*For more details, see Section 7.2 of the report.*)

**CREDIT QUALITY.** The Money Market Working Group recommends steps to improve credit analysis and analysis of new products.

The SEC should require that all MMF advisers establish a “new products” or similar committee to review and approve new structures prior to investment, and encourage MMFs and their advisers to follow best practices for determining minimal credit risks. The SEC should also retain references to credit ratings as an important “floor” on investments. It should require advisers to designate and disclose a minimum of three credit rating agencies that the adviser will monitor, thus encouraging credit rating agencies to improve their ratings systems for short-term debt in order to attain this designation. (*For more details, see Section 7.3 of the report.*)
**Client Concentration.** The Money Market Working Group recommends steps to help ensure that money market funds have a better understanding of their clients’ liquidity needs so that they are better able to position their portfolios for redemption requests.

The SEC should require that all advisers to MMFs adopt “know your client” procedures and require that funds provide monthly website disclosure to the public about client concentration levels and the risks, if any, that such concentration may pose to the fund. *(For more details, see Section 7.4 of the report.)*

**Fair Treatment of Shareholders.** The Money Market Working Group recommends steps to help funds manage an extreme level of redemption requests or when a fund drops below the $1.00 net asset value (NAV).

A money market fund’s board of directors should be allowed to temporarily suspend redemptions and purchases of the fund for up to five days while the fund seeks a “cure” for a declining NAV (not to be exercised more than once every five years). Directors should also be permitted to permanently suspend redemptions to allow all shareholders to be treated fairly after a fund determines to liquidate. *(For more details, see Section 7.5 of the report.)*

**Disclosure.** The Money Market Working Group recommends ways to increase investor understanding about MMFs as well as to require legal differentiation of MMFs from other products.

Funds should reassess and revise the disclosure of risks that they provide to investors and the markets. The SEC should require money market funds to provide monthly website disclosure about portfolio holdings, which will allow third-party analysts and commentators to compare money market funds. The report also recommends that the SEC adopt a rule under the Investment Advisers Act of 1940, designed to reduce investor and market confusion about funds that appear similar to money market funds, but do not comply with the same risk-limiting provisions. *(For more details, see Section 7.6 of the report.)*

**Government Oversight.** The Money Market Working Group recommends steps to enhance government oversight of the overall money market.

The Working Group will work with appropriate federal regulators to help develop and implement a reporting regime for money market funds that will enhance regulatory oversight and knowledge of the money market and investors in that market. To determine and track “outlier” performance that may indicate riskier strategies, the SEC should formalize a program to contact money market funds whose performance clearly exceeds that of their peers during any month. *(For more details, see Section 7.7 of the report.)*

**Government Resources.** The Money Market Working Group recommends putting mechanisms in place to allow for better use of SEC staff time.

During the credit crisis, many MMF sponsors made requests to the SEC staff for permission to provide financial support to their funds. While the staff was responsive, processing the requests used resources that are better devoted to more pressing issues. The rule permitting money market fund sponsor support should be amended and expanded so that funds can use this standard tool when necessary, and requiring SEC staff notification by a fund when it uses this mechanism. *(For more details, see Section 7.8 of the report.)*
**Federal Programs.** The Money Market Working Group recommends extending the Treasury Guarantee Program until it expires by its terms on September 18, 2009.

Implementation of the report recommendations will help position money market funds, their investors, and the market at large for an orderly transition out of the program when it expires in September. The report also recommends that a no-action letter previously granted by the SEC staff relating to money market fund valuation during exigent circumstances remain available for the SEC staff to use in the future. *(For more details, see Section 7.9 of the report.)*

**Portfolio Invesment.** The Money Market Working Group recommends steps to strengthen regulations by limiting funds to investing in First Tier Securities.

The SEC should adjust rules to eliminate Second Tier Securities (securities that have been rated A-2 or P-2) from the definition of an Eligible Security. Even though these securities did not play a role in the recent market volatility, the report recommends that money market funds no longer be permitted to invest in Second Tier securities to further strengthen MMF regulations. *(For more details, see Section 7.10 of the report.)*

**Board Oversight.** The Money Market Working Group recommends steps to refine board oversight responsibilities.

The SEC should revise rules that involve boards at an inappropriate level in the investment process. For example, rather than limit investments to securities that the “fund’s board of directors determines present minimal credit risks,” the rule should be revised to simply limit investments in securities “that present minimal credit risks.” *(For more details, see Section 7.10 of the report.)*