Investors will reject floating net asset value (NAV) money market funds. For legal, tax, accounting, and other reasons, investors need and want stable NAV cash investments. A floating NAV would mean a large portion of the assets in money market funds will flow into other stable NAV alternatives outside the regulatory framework in place for money market funds—potentially increasing the systemic risk to the financial system. (For more details, see Section 8.1.1 of the report.)

Establishing an insurance program for money market funds would cause significant disruption to the money market. A permanent insurance program raises important issues about market distortions. Fully insured funds could draw large sums of money from traditional banks and other cash pools, causing significant disruption to the banking system and the money market. A partial insurance program would do little to alter the redemption behavior of large institutional shareholders of money market funds in periods of stress in the money market. (For more details, see Section 8.1.2 of the report.)

Money market funds are not banks, so capital or reserve requirements raise significant operational challenges. Capital standards would provide little protection against the broad market events of the sort experienced last fall, would pose significant tax and accounting hurdles, and potentially cause asset managers to set up private cash pools outside the regulatory framework for money market funds. (For more details, see Section 8.1.3 of the report.)

Requiring money market funds to separate their investors by “retail” or “institutional” categories is not feasible in practice. This proposal incorrectly treats all investors within each of the two categories as the same, and there are important areas of overlap between retail and institutional investors. For example, though retail investors typically invest in money market funds through retail share classes, they also invest through
institutional share classes, such as 401(k) plans or broker or bank sweep accounts. As a result of the retail and institutional overlap, this requirement likely would be unenforceable and could disadvantage both types of investors who each benefit from economies of scale. (*For more details, see Section 8.2.1 of the report.*)

**Requiring redemptions in kind could magnify problems in a high redemption situation.**

Requiring money market funds to address a high level of redemption requests through redemptions in kind poses the potential for aggravating an illiquid or declining market. The option to redeem in kind should continue to be available and be employed on a case-by-case basis as funds deem appropriate. (*For more details, see Section 8.2.2 of the report.*)