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August 8, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Money Market Fund Reforms (file no. S7-22-21)

Dear Ms. Countryman:

We are writing to supplement our comments on the proposed reforms to money market funds and the points that we previously provided regarding the swing pricing requirements in the proposed rule.[1] Our primary concern is that the public record be clear about the experiences of European funds with swing pricing. We appreciate that policymakers and market participants can draw valuable lessons from the experiences of other jurisdictions. However, markets and the rules governing money market funds are complex, and broad comparisons risk overlooking critical differences in context and detail.

In particular, while *some* non-money market funds in Europe do use swing pricing, money market funds in Europe do not use, and have not used, swing pricing. This point is worth repeating: *European money market funds do not use swing pricing*.[2] As a result, any attempt to apply lessons from Europe to mandate swing pricing for US money market funds would be inappropriate and would disregard the significant differences between US money market funds and the operations, markets and regulation of European non-money market funds that have used swing pricing.

[1] *See* comment letter of the Investment Company Institute, dated April 11, 2022 (ICI Letter), available at https://www.sec.gov/comments/s7-22-21/s72221-20123254-279522.pdf. The Investment Company Institute (ICI) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's members manage total assets of $31.0 trillion in the United States, serving more than 100 million US shareholders, and $10.0 trillion in assets in other jurisdictions. ICI carries out its international work through ICI Global, with offices in Washington, DC, London, Brussels, and Hong Kong.

[2] *See* comment letter of the European Fund and Asset Management Association, dated March 23, 2022, available at https://www.sec.gov/comments/s7-22-21/s72221-20121032-273211.pdf.

As a result, there is no empirical evidence to support the conclusion that swing pricing is either a necessary or an effective anti-dilution mechanism for money market funds, which, we would emphasize, are managed to accommodate investor flows while protecting the interests of remaining shareholders.[3]

Finally, while some European non-money market funds use swing pricing, there are *no* European rules that mandate its use for *any* type of European fund.[4] In contrast, the current proposal by the SEC would make swing pricing mandatory for institutional prime and institutional tax-exempt money market funds. Thus, the SEC would be the first jurisdiction to mandate the use of swing pricing.

We also wish to reiterate that swing pricing would impose high costs to overcome unnecessary and complex structural challenges. And swing pricing would lead to the inability of money market funds to offer key features that significantly benefit fund investors, such as pricing multiple times per day and offering same-day (T+0) settlement.[5]

ICI and ICI member firms are concerned that the Commission is greatly underestimating these complexities, their costs, and the likely deleterious effect swing pricing would have on the continued viability of these funds.[6] These are not merely practical concerns about the challenges of systems upgrades but fundamental issues regarding the ability of these money market funds to continue offering features on which investors rely.

It is difficult to conclude that a drastic reform such as swing pricing can be justified by any data or relevant experience. As indicated above, European money market funds provide no guide, and there is (as the Commission itself acknowledges) a dearth of academic research on whether dilution among money market funds is meaningful or triggers redemptions.[7]

We note, however, that the SEC's proposal does call for the removal of the liquidity fee and redemption gate provisions in the current rule. We would like to take this opportunity to re-affirm our strong support of this important course correction. This correction – in contrast to the poorly-supported proposal on swing pricing – is backed by strong data and empirical evidence, indicating that it would significantly advance the Commission's goal of making money market funds more resilient.

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[3] *See also,* Rule 2a-7 (liquidity requirements).

[4] See Report of the COVID-19 Market Impact Working Group, *Experiences of European Markets, UCITs, and European ETFs During the COVID-19 Crisis*, December 2020, at 24, available at https://www.ici.org/doc-server/pdf%3A20_rpt_covid4.pdf.

[5] *See* ICI Letter at section 1.2.4.

[6] While it is uncertain how investors would re-allocate their capital should more money market funds unwind or key features become unavailable, it would be a mistake to assume that ultrashort bond funds would serve as a ready substitute. Ultrashort bond funds have, by design, different risk profiles, do not serve as cash equivalents and do not offer features such as pricing multiple times per day and same-day (T+0) settlement.

[7] Release at 158.

Conclusion

ICI and its members appreciate the opportunity to comment on the SEC's proposed amendments. We are committed to working with the SEC to further strengthen money market funds' resilience to severe market stress. If you have any questions, feel free to contact me at (202) 326-5824 or eric.pan@ici.org.

Sincerely,

/s/ Eric J. Pan

Eric J. Pan
President & CEO

cc: Gary Gensler, Chair, Securities and Exchange Commission
Hester M. Peirce, Commissioner, Securities and Exchange Commission
Caroline A. Crenshaw, Commissioner, Securities and Exchange Commission
Mark Uyeda, Commissioner, Securities and Exchange Commission
Jaime Lizárraga, Commissioner, Securities and Exchange Commission