

MEMO# 25623

November 7, 2011

SEC Chairman Schapiro Addresses Money Market Fund Reform

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TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 59-11
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 54-11
SEC RULES MEMBERS No. 130-11 RE: SEC CHAIRMAN SCHAPIRO ADDRESSES MONEY MARKET FUND REFORM

Speaking at SIFMA's 2011 Annual Meeting today, SEC Chairman Mary Schapiro addressed the issue of money market fund reform. In particular, she stated that floating NAVs and capital buffers, possibly combined with redemption restrictions, were the options with the greatest viability. With respect to floating NAVs, she acknowledged that although floating NAVs would reinforce that money market funds are an investment and not guaranteed, fostering an orderly transition from stable NAVs to floating NAVs would pose challenges for policymakers. With respect to capital buffers, she noted that the SEC staff, working jointly with staff from other FSOC member agencies, are examining the pros and cons of various sources of capital including capital that could come from the fund's sponsor; the fund's shareholders; or the market, through the issuance of debt or a subordinated equity class. In addition, she noted that they are examining the appropriate size of any capital buffer. "A challenge is how to establish a capital buffer that offers meaningful protection against unexpected events, without over-protecting and unnecessarily interfering with the prudent and efficient portfolio management of the fund." Finally, she acknowledged the challenges of developing and implementing money market reforms in a low or nearly "no" interest rate environment. "Reforms need to be implementable now, yet workable in all interest rate environments."

She ended her remarks by stating that she is looking forward to "making substantial progress" on this initiative in the coming months so that they can issue a proposal in "very short order."

Chairman Schapiro's remarks may be found on the SEC's website at <http://www.sec.gov/news/speech/2011/spch110711mls.htm>.

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