

MEMO# 23618

July 10, 2009

ICI Draft Comment Letter on CFTC's Consideration of Changes to Permitted Investments

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TO: MONEY MARKET FUNDS ADVISORY COMMITTEE No. 27-09
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 29-09
SEC RULES COMMITTEE No. 41-09 RE: ICI DRAFT COMMENT LETTER ON CFTC'S
CONSIDERATION OF CHANGES TO PERMITTED INVESTMENTS

The Commodity Futures Trading Commission is seeking comment on possible changes to regulations regarding "permitted investments," including the use of money market funds, under CFTC regulations. * The Institute has prepared the attached draft comment letter, which is briefly summarized below.

Please provide your comments to the draft letter by Friday, July 17 to Jane Heinrichs at (202) 371-5410 or by email at jheinrichs@ici.org.

The draft letter notes that since 1983, money market funds have been governed very effectively by the Securities and Exchange Commission, both as mutual funds generally and pursuant to Rule 2a-7, a carefully crafted rule under the Investment Company Act of 1940 that strictly limits the risks these funds can take. Indeed, the letter states that the comprehensive protections of the securities laws, specifically the Investment Company Act, combined with the exacting standards of Rule 2a-7, have contributed to the success of money market funds even during the recent unprecedented market events.

The letter then describes the money market fund industry's response to the credit crisis through the Money Market Working Group's report, which outlined a range of measures to strengthen money market funds and help them withstand difficult market conditions in the future. The letter specifically highlights a number of the Working Group's recommendations. The draft letter also describes recent regulatory responses to the credit crisis, including: (i) the Obama Administration's white paper that directs the SEC to move forward with plans to strengthen the money market fund regulatory framework and (ii) the SEC's recent proposed amendments that are designed to make money market funds more resilient to certain short-term market risks, and to provide greater protections for investors in a money market fund that is unable to maintain a stable NAV per share.

The draft letter concludes by stating that money market funds are a key component of the money market and that the resilience of money market funds is attributable to the protections of the Investment Company Act and, in particular, Rule 2a-7. The letter notes ICI's strong belief that the SEC's proposed amendments together with the Working Group's recommendations will further strengthen an already resilient product. Finally, the letter states ICI's belief that money market funds continue to be an appropriate investment under CFTC's regulations.

Jane G. Heinrichs
Associate Counsel

[Attachment](#)

endnotes

[*](#)For an overview of CFTC's advance notice of proposed rulemaking, see memorandum to Money Market Funds Advisory Committee No. 22-09 and SEC Rules Members No. 57-09, dated May 29, 2009 [23498].