

MEMO# 34262

August 18, 2022

ICI Supplemental Comment Letter on SEC's Proposed Money Market Fund Reforms

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TO: ICI Members

Money Market Funds Advisory Committee

SEC Rules Committee SUBJECTS: Money Market Funds RE: ICI Supplemental Comment
Letter on SEC's Proposed Money Market Fund Reforms

On August 8, ICI filed a letter with the Securities and Exchange Commission to supplement our comments on the proposed reforms to money market funds (attached). We added to our comments regarding the swing pricing requirements in the proposal. Our primary concern focused on ensuring that the public record was clear about the experiences of European funds with swing pricing.

In particular, we observed that while some non-money market funds in Europe use swing pricing, money market funds in Europe do not use, and have not used, swing pricing. As a result, we stated that 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.

As a result, we stated 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 are managed to accommodate investor flows while protecting the interests of remaining shareholders. We also noted that 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. In contrast, the Commission's proposal would make swing pricing mandatory for institutional prime and institutional tax-exempt money market funds. Thus, the Commission would be the first jurisdiction to mandate the use of swing pricing.

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