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INVESTMENT COMPANY INSTITUTE

ICI VIEWPOINTS

February 16, 2011

In Case You Missed it: ICI Members Speak Out on Money Market Funds

In recent weeks, two top newspapers have published commentary from ICI members who make a compelling case for preserving the fundamental strengths of money market funds. We've pulled out a few highlights below, but both items are worth reading in their entirety.

On February 5, J. Christopher Donahue, President and CEO of Federated Investors, Inc. took to the pages of the Pittsburgh Post-Gazette, beginning with an observation about the centrality of the money markets in the U.S. economy. "When you use your credit card, pay your taxes and make payments on your car, student or home loans," he writes, "you are participating in our nation's vast, nearly $3 trillion money-market system."

Money market funds are key components of that system. A central feature of these funds is the stable $1.00 per share net asset value (NAV), which, Donahue says "is easy for investors to understand and businesses to use for record-keeping, accounting and valuation purposes." He also points out the negatives of requiring funds to float their NAVs, an option that policymakers in Washington are considering now:

From a cash-management perspective, this would add to the difficulty and costs for the treasurer who relies on money funds to balance the books every day. From an investment perspective, this floating-rate pricing could exacerbate fluctuations in the daily share price, creating an unstable environment that is precisely what a $1 NAV seeks to avoid.
Today, the Financial Times published an op-ed, "Not the Time to Meddle with Money Market Funds," by Mark R. Fetting, Chairman and CEO of Legg Mason, Inc. and a member of ICI's Board of Governors. Fetting notes the range of investors who have told the SEC why maintaining the stable net asset value is critical.

Groups representing users of money market funds—from the National Association of Corporate Treasurers to the Consumer Federation of America—have registered their opposition to floating these funds' price. College business officers and state and local governments have warned that they'll be forced to shift to other, less-secure cash products if money market funds are barred from offering a stable value. And businesses and governments have sounded the alarm: forcing money market funds to float will drive away so many investors that the current efficient channel they depend on for critical financing could be cut off.
Visit our Money Market Fund Resource Center to learn more about these funds, their important role, and the recent steps to further strengthen them.

- Read "Floating Rates Won't Aid Money Markets"Floating Rates Won't Aid Money

Markets" by J. Christopher Donahue, President and CEO of Federated Investors, Inc., in the Pittsburgh Post-Gazette.
- Read "Not the Time to Meddle with Money Market Funds" by Mark R. Fetting, Chairman and CEO of Legg Mason, Inc., in the Financial Times.
