

ICI VIEWPOINTS

November 13, 2012

The FSOC Fails to Advance the Debate

ICI President and CEO Paul Schott Stevens issued the following [response](#) to today's [meeting](#) of the Financial Stability Oversight Council (FSOC):

Regrettably, today's action by the FSOC fails to advance the debate over how to make money market funds more resilient in the face of financial crisis. The Council apparently is proposing to send back to the Securities and Exchange Commission (SEC) the very same concepts that a majority of the Commission's members declined to issue for public comment [in August](#).

The process that the FSOC is following is deeply flawed. The SEC is the appropriate agency to evaluate additional money market fund reforms. Only the SEC has the necessary expertise as the regulator of mutual funds. At the request of SEC Commissioners, that agency is engaged in an analysis of the Commission's [2010 reforms](#) to money market fund regulation. Such analysis—and a thorough examination of the voluminous public record already compiled on this issue—should be completed before any further action is taken.

While we appreciate and will respond to the FSOC's invitation for other reform ideas, we are disappointed by the proposals featured in the FSOC's release—forcing money market funds to 'float' their value, capital requirements, and daily redemption holdbacks. These concepts already have been the subject of [extensive analysis and commentary](#). It appears that little of this analysis has even been considered by the FSOC.

ICI and its members continue to oppose these reform concepts. When aired in the past, these concepts have elicited strong opposition for their adverse impacts on investors, issuers, and the economy from hundreds of organizations representing state and local governments, businesses, and others, as well as Members of Congress from both parties. Again, the FSOC appears to have disregarded their concerns.

As we have said throughout the debate over money market fund regulation, ICI and its members are open to discussing any proposed changes provided they meet two principles:

- First, they must preserve the key characteristics of money market funds that have made them so valuable to investors, issuers and the economy; and
- Second, they must preserve a competitive marketplace of funds and fund sponsors, giving investors choice.

Today's actions by the FSOC fail those tests. If implemented, they also will increase risks to the financial system by concentrating assets in a few large institutions or driving assets into alternative products that are far less regulated and transparent than money market funds.

Learn more about money market funds at ICI's [Money Market Funds Resource Center](#).

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