ICI The Asset Management Industry SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

ICI VIEWPOINTS

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A Comprehensive View on How to Preserve Money Market Funds and Further Their Stability

Since the financial crisis, ICI has supported exploring reasonable options to make money market funds even more resilient. Our extensive submission to the Financial Stability Oversight Council (FSOC) again expresses the Institute's commitment to working with regulators on this important issue.

As ICI has maintained consistently in recent years, we believe the regulatory process in this area should be guided by two principles:

- We should preserve those key features of money market funds that have made them so valuable and attractive to investors.
- We should preserve choice for investors by ensuring a continued robust and competitive global money market fund industry.

Our letter endorses one means to provide further stability to money market funds without violating the above principles. We would support temporary restrictions on redemptions, or "gates" and fees, combined with enhanced disclosure, that could be established to act as a circuit breaker on heavy redemptions from prime funds during times of market stress.

- Temporary gates, if triggered on liquidity levels, would prohibit investors from redeeming and would provide time for the fund to restore liquidity.
- Temporary liquidity fees, if determined appropriate by a fund's board, would allow redeeming shareholders access to liquidity if they need it, but would impose a fee to compensate the fund and remaining investors for the potential cost to the fund of the withdrawal and to protect remaining shareholders.
- Enhanced disclosure of mark-to-market net asset values (NAVs) and portfolio liquidity levels would give regulators and investors more insight into portfolio holdings.

This approach has the advantage of not limiting investors' access to their shares during normal market conditions. Thus, it would not undermine the fundamental characteristics of money market funds or their value to investors and the economy.

By contrast, FSOC's other proposals—floating net asset values, capital requirements, and redemption restrictions—are of a nature that would eliminate or minimize the utility of these funds to investors, and would impose burdens on fund sponsors and intermediaries likely to impel many if not most to exit the business. Our letter reaffirms the Institute's strong opposition to these proposals.

I invite anyone with an interest in money market funds to consult our letter, which goes into depth on the policy, law, and economics of this issue. You can find the letter—along with fact sheets, research, and a range of other resources—at our Money Market Funds Resource Center.

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