

NEWS RELEASE

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Mutual Fund Leaders Endorse Reforms to Strengthen Money Market Funds

Mutual Fund Leaders Endorse Reforms to Strengthen Money Market Funds and the Money Market

Designed to Protect Investors and Make Funds More Robust in Adverse Conditions

Washington, DC, March 18, 2009 -Today, the Investment Company Institute announced that its Board of Governors has received a report from the Money Market Working Group and has unanimously endorsed the Group's recommendations concerning new regulatory and oversight standards for money market funds.

John J. Brennan, Chairman of the Money Market Working Group and Chairman of The Vanguard Group, reported to the Board: "The recommendations respond directly to weaknesses in current money market fund regulation, identify additional reforms that will improve the safety and oversight of money market funds, and will position responsible government agencies to oversee the orderly functioning of the money market more effectively."

In a resolution adopted March 17, 2009, the Institute's governing body called for prompt implementation by all money market fund complexes of those practices recommended in the [Report of the Money Market Working Group](#) that do not require prior regulatory action. ICI formed the Money Market Working Group last fall to develop recommendations to improve the functioning and regulation of the money market and money market funds.

Among other changes, the recommendations would for the first time require money market funds to meet new mandated daily and weekly minimum liquidity standards. The Money Market Working Group also recommends tightening the portfolio maturity limits currently applicable to money market funds and raising credit quality standards.

"The Board has given its strong approval to the reforms developed by the Money Market Working Group and deeply appreciates the Working Group's efforts," said John V. Murphy, ICI Chairman and Chairman of OppenheimerFunds Inc. "The Board also has called for prompt implementation of these improved practices across the industry, pending regulatory action. In light of the significance of these recommendations to fund investors, ICI will

encourage the SEC to require funds choosing not to implement these recommendations to disclose that fact to their investors.”

“Money market funds are a key component of the money market, relied upon by individuals and institutions alike,” said Brennan. “We strongly believe that taken as a whole, these recommendations will greatly increase the resiliency of money market funds to the benefit of both investors and markets.”

“The events of last fall were unprecedented, and it was the fund industry’s responsibility to look for lessons learned. I am extremely proud of this Report and the efforts of the Working Group,” said Paul Schott Stevens, President and CEO of ICI. “We look forward to working with regulators and other policymakers in the months ahead as they consider how to best address these issues.”

Recommendations

The Working Group’s recommendations are designed to strengthen and preserve the unique attributes of money market funds: safety, liquidity, and the convenience of a stable \$1.00 net asset value (NAV). The new standards and regulations will ensure that money market funds are better positioned to sustain prolonged and extreme redemption pressures and that mechanisms are in place to ensure that all shareholders are treated fairly if a fund sees its NAV fall below \$1.00. The report includes a number of [recommendations](#) that will:

- For the first time, impose daily and weekly minimum liquidity requirements and require regular testing of the fund’s individual portfolio holdings and shareholder base.
- Tighten the portfolio maturity limit currently applicable to money market funds and add a new portfolio maturity limit.
- Raise the credit quality standards under which money market funds operate. This would be accomplished by requiring a “new products” or similar committee to review and approve new structures prior to investment, encouraging advisers to follow “best practices” for determining minimal credit risks, requiring advisers to designate the credit rating agencies their funds will follow to encourage competition among the rating agencies to achieve this designation, and prohibiting investments in “Second Tier Securities.”
- Address “client risk” by encouraging money market fund advisers to adopt “know your client” procedures and requiring them for the first time to disclose client concentrations and the potential risks, if any, posed by a fund with a strongly concentrated client base.
- Enhance risk disclosure for investors and the market and require monthly website disclosure of a money market fund’s portfolio holdings.
- Assure that, when a money market fund proves unable to maintain a stable \$1.00 NAV, all of its shareholders are treated fairly. For this purpose, a money market fund’s board of directors would be authorized to temporarily suspend redemptions and purchases of fund shares under certain situations, and to permanently suspend redemptions for funds preparing to liquidate in order to ensure that all shareholders are treated fairly.
- Enhance government oversight of the money market by developing a reporting regime so that regulators will have access to better information about all institutional investors in the money market, including money market funds, and encouraging the SEC staff to monitor higher-than-peer performance of money market funds.
- Increase investor understanding of money market funds and address market

confusion about money market participants that appear to be—but are not— money market funds.

The report also includes a [summary](#) of the recommendations; identifying which ones money market funds can implement voluntarily and which require government action before implementation.

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