

## VIDEO

December 9, 2016

# Focus on Funds: SEC Changes Alter Picture for US Money Market Funds

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## SEC Changes Alter Picture for US Money Market Funds

In the lead-up to implementation of new SEC rules governing money market funds, assets shifted from prime to government funds. Sean Collins, ICI senior director for industry research and financial analysis, tells viewers why in the December 9, 2016, edition of *Focus on Funds*.

### Transcript

**Stephanie Ortvals-Tibbs, ICI Director, Media Relations:** On the heels of significant reform, how does the US money market fund industry look these days? I got some fresh data analysis from ICI's senior director for industry financial analysis, Sean Collins.

**Sean Collins, Senior Director for Industry Financial Analysis, ICI:** The most important thing we saw was that about \$1 trillion flowed out of prime money market funds over the period from about November 2015 all the way up to the implementation date of October 14, 2016, and our sense is that probably all of that essentially went back into government money market funds.

That's more or less what we had expected to happen. There's an almost one-for-one offset in flows from prime into government money market funds—almost dollar for dollar. Government money market fund assets have grown very substantially. Prime money market funds have fallen very substantially. The same is true for tax-exempt money market funds—they've seen their assets fall very substantially.

That's about the state of affairs at the moment—it's kind of wait and see. There's not too much money moving either direction at the moment. In general, money market funds in total have been pretty stable for the last four years, at about \$2.7 trillion, including through this entire transition period. We think that's representative of the fact that investors continue to like these products, demand them, and it's just the change in the slice of the pie from one type of instrument—prime money market funds—into government money market funds.

**Ortvals-Tibbs:** So, of course, we don't prognosticate. What we do know is that investors will probably continue to assess where they are in a particular category, but this is one of these categories where eventually we could continue to see money move around again as

people continue to settle into this new regime.

**Collins:** Yeah, I think that could certainly happen. It's possible that as people get more comfortable with floating NAVs [net asset values] for prime institutional money market funds, get comfortable with the possibility of fees and gates. You might see some money move back into prime money market funds from government. But I think that at the moment it's kind of wait and see—people probably want to let the dust settle and get some experience, and then go from there.

## **Additional Resources**

- [Money Market Mutual Fund Statistics](#)
- [ICI's Money Market Fund Reform Resource Center](#)
- [More ICI Resources on Money Market Funds](#)

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