

LETTERS TO THE EDITOR & RESPONSES

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Comment: The Facts Missing From a Wall Street Journal Column on Money Market Funds

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ICI senior director, Public Communications, comments on an article in the Wall Street Journal published October 18, 2011:

Your column, "[Hidden Dangers Lurking in Money Market Funds](#)" misses a few key facts. Let's set the record straight.

First, money market funds are transparent, and their risks are clearly disclosed. Nearly every communication from a money market fund tells investors that these funds not insured or guaranteed. Investors receive thorough disclosure of their risks. And with current portfolio disclosure—every money market fund is required to list every security it owns—money market funds are by far the most transparent investment available.

Despite what they know about those risks—and despite yields stuck near zero for months—investors still have entrusted \$2.5 trillion to money market funds. Why? Corporations, state and local governments, and nonprofit institutions, as well as groups representing individual investors, have told regulators again and again that they value money market funds for convenience, stability, diversification, and regulatory protections.

Another fact: Managers of money market funds are managing risks. Francesco Guerrera writes that investors in Europe's banks are "spooked" by the pullback of funding from U.S. Look at the level of sovereign debt in some European countries, the political crisis those debts are causing, and the amount of those debts on the books of European banks. It takes quite a stretch of the imagination to assert that those banks' stocks are falling because U.S. money market funds are adjusting their holdings.

It's true that the Europe debt crisis has put a spotlight on U.S. money market funds' role in funding those banks. But fixing the banks' funding formulas is a matter for bank regulators to address. Money market funds are doing their job of managing risks for their investors.

Finally, a fact that Guerrera got right: forcing money market funds to "float" their value is the worst possible idea for reform. We're glad to see the Wall Street Journal looking for "more viable" solutions. We just wish the good sense wasn't buried amid so much misinformation.

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