STATEMENT

May 11, 2021

Statement of ICI Executive Committee on Money Market Fund Regulation

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Washington, DC, March 14, 2012 - *In light of the ongoing debate over changes to money market fund regulation, the Executive Committee of ICI's Board of Governors is issuing the following statement:*

In 2010, the Securities and Exchange Commission approved far-reaching rule amendments that enhanced an already strict regime of money market fund regulation. Those amendments have made money market funds more resilient by, among other things, imposing new credit quality, maturity, and minimum liquidity standards for these funds; increasing the transparency of their portfolios; and empowering money market fund boards to assure a fair and orderly liquidation of a money market fund, should that become necessary. These reforms were in keeping with the SEC's long record of crafting ever-stronger rules for money market funds that have enabled these funds to meet the needs of investors and play an important role in the nation's economy, while protecting investors and the financial system.

The 2010 reforms were tested during the summer of 2011, when money market funds faced three unprecedented challenges: Europe's ongoing sovereign debt crisis; the U.S. debt ceiling impasse; and the historic downgrade of the United States' sovereign debt rating. During a period of significant market turmoil, money market funds met large volumes of shareholder redemptions without incident, without meaningful reductions in money market funds' mark-to-market portfolio values, and without any impact in the broader money market.

For more than two years, money market fund yields have been near zero. Funds have faced increased competition from banking products due to unlimited deposit insurance for non-interest-bearing checking accounts and the payment of interest on business checking for the first time in 80 years. Despite these factors, investors consistently have entrusted more than $2.6 trillion in assets to money market funds. We believe this is dramatic evidence of the value investors place on the stability, convenience, and liquidity of money market funds.

The SEC has indicated that it is now considering fundamental changes to money market fund regulation. It appears that these changes either would require money market funds to abandon their stable per-share net asset value or would impose capital requirements and restrict redemptions. We are concerned that these changes will eliminate the utility of money market funds for most investors. As a result, these funds no longer would serve, as they do today, as a critical source of financing for businesses, banks, state and local governments, and the federal government.

For cash management purposes, many investors likely would resort to funds that are less regulated and transparent than money market funds, thereby increasing—not decreasing—risks to the financial system.

For all of these reasons, and particularly in light of the demonstrated effectiveness of the comprehensive money market fund reforms already adopted by the SEC in the aftermath of the financial crisis, we do not believe the further changes in money market fund regulation now under consideration are necessary or appropriate.

The Executive Committee is responsible for evaluating policy alternatives and various business matters on behalf of the ICI Board of Governors.

For more information on money market funds, their role in the economy, ICI's efforts to make these funds more resilient in the face of adverse market conditions, and the significant risk of undermining money market funds' value to investors and the economy, please see www.ici.org/mmfs.