CMFI
Coalition of Mutual Fund Investors

January 21, 2011

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

VIA ELECTRONIC MAIL

Subject: President's Working Group Report on Money Market Fund Reform
SEC File Number 4-619

Dear Ms. Murphy:

The Coalition of Mutual Fund Investors ("CMFI") appreciates the opportunity to submit comments regarding the money market fund reforms discussed in the President's Working Group Report issued on October 21, 2010.

CMFI is an Internet-based shareholder advocacy organization established to represent the interests of individual investors on mutual fund policy issues. CMFI has a website which can be accessed at www.investorscoalition.com.

The President's Working Group Report ("PWG Report") presents several possible policy options to mitigate further the susceptibility of money market funds to "runs," i.e., cash liquidity shortfalls caused by a temporary inability to monetize fund assets in response to accelerating share redemption requests.[1] The PWG Report also concludes that additional reforms are required to supplement new regulatory rules adopted by the Securities and Exchange Commission ("SEC") on January 27, 2010.[2]

Money Market Funds Still Face Liquidity Risks

CMFI agrees with the overall conclusion of the PWG Report that the SEC's rules need to be supplemented to address systemic risk concerns and the structural vulnerability of money market funds to runs.

[1] President's Working Group on Financial Markets, Money Market Fund Reform Options, October 21, 2010, available at http://www.treasury.gov/press-center/press-releases/Documents/10.21%20PWG%20Report%20Final.pdf (hereinafter "PWG Report").
[2] See Money Market Fund Reform, SEC Release No. 29132 (Feb. 23, 2010), 75 Fed. Reg. 10,060 (Mar. 4, 2010) (hereinafter "SEC Final Rule").

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The general perception of money market funds within the financial marketplace is that these funds have had a very successful track record as a safe investment vehicle, with the financial services industry quick to point out that only two funds have actually "broken the buck" over the past 27 years. The reality, however, is much more complicated, as recently released empirical data indicates that numerous funds have required either sponsor support or government-financed backing at some time during the past three decades, in order to maintain a stable net asset value ("NAV") of $1.

One notable study of the liquidity pressures on funds over the past several decades was released by Moody's Investors Service in August 2010. This Moody's study concluded that, even prior to the recent financial crisis, as many as 146 funds would have "broken the buck" over the years but for the intervention of their fund sponsor or investment management firm.[3] This study also determined that 62 funds, including at least 36 funds in the U.S., received financial and balance sheet support from their sponsor or parent company during the recent financial crisis.[4]

A second analysis of this issue can be found in data released by the Federal Reserve in December 2010. This Federal Reserve data indicate widespread use of government-backed guarantee and liquidity facilities during the 2008-2009 crisis period by many of the largest money market funds, in order to avoid the liquidity challenges present at that time.[5]

The fact that many money market funds have needed occasional access to an external liquidity facility—in both crisis and non-crisis periods—should lend support for more robust regulatory measures to reduce the liquidity problems that these funds face from time-to-time.

New SEC Rules Are a Step in the Right Direction

In January 2010, the SEC finalized new regulations to help money market funds improve their resiliency to breaking the buck in a market crisis.[6] Among other provisions, these rules require money market funds to maintain daily and weekly liquidity

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[3] See Moody's Investors Service, Sponsor Support Key to Money Market Funds, August 9, 2010, at 3, available at http://www.alston.com/files/docs/Moody%27s_Report.pdf.

[4] Id. at 4. The information analyzed by Moody's was largely based on data compiled for the largest 100 prime money market funds, representing 92% of the assets in this segment, during the period between August 31, 2007, and December 31, 2009.

[5] See Federal Reserve, Press Release, December 1, 2010, available at http://federalreserve.gov/newsevents/press/monetary/20101201a.htm; See also Eleanor Laise, "Absent Help, More Funds Might Have Broken Buck," The Wall Street Journal, December 2, 2010 ("Nine of the 10 largest money-market fund companies at the time, with two-thirds of all money-market fund assets under management, turned to a financial first-aid program called the Asset-Backed Commercial Paper Money-Market Mutual Fund Liquidity Facility. The funds, facing an illiquidity squeeze, sold billions of dollars of commercial paper to major banks, which in turn used money borrowed from the Fed to make the purchases.").

[6] See SEC Final Rule, supra note 2.

positions. The new SEC rules require funds to hold securities that are sufficiently liquid to meet reasonably foreseeable shareholder redemptions.[7] The new rules also contain measures to reduce credit risks and interest rate risks, and require fund managers to periodically "stress test" their funds' ability to maintain a stable NAV based on hypothetical events.

CMFI agrees with the statement in the PWG Report that these new regulatory measures have improved the regulatory framework for money market funds.

The President's Working Group Report Proposes Additional Policy Options

The PWG Report proposes eight policy options to help further mitigate the susceptibility of money market funds to runs. These policy options are:

- A floating net asset value to replace the fixed NAV used currently;
- The establishment of private emergency liquidity facilities for money market funds;
- A requirement that money market funds distribute large redemptions in kind, rather than in cash;
- The use of insurance to limit credit losses to money market fund shareholders;
- A two-tier system of money market funds, with enhanced protection for stable NAV funds;
- A two-tier system of money market funds, with stable NAV funds reserved for retail investors;
- A system by which money market funds are regulated as special purpose banks; and
- A series of regulatory measures to constrain any shifts to unregulated money market fund substitutes.

CMFI offers the following comments on several of these policy options.

CMFI Supports the Creation of a Private Liquidity Bank

CMFI believes that the most sensible policy option for regulators to consider at this juncture is the creation of a private facility to supply liquidity to money market funds in times of market disruptions. This facility would be capitalized and financed by the

[7] SEC Final Rule at 51 (General Liquidity Requirement).

money market funds themselves, probably through a fee structure that is similar to deposit insurance.

As noted in the PWG Report, this type of facility would provide a helpful liquidity "backstop" in times of market stress. It also would provide investors with more confidence about a fund maintaining its stable share price, thereby reducing the risk of an investor run on a fund during a period of market disruption.

Additionally, the creation of a private liquidity facility would address the "free rider" problem in the money market industry, as banks have to pay for liquidity backstops—primarily through deposit insurance—while money market funds do not.

As noted in the PWG Report, this policy option will be complicated to implement. For that reason, a comprehensive approach to both the establishment and the regulation of this facility should be undertaken by the SEC, in order to ensure that the facility will work effectively when it is needed and will not create disincentives in managing individual fund risks. The SEC should consider issuing a Concept Release to discuss in greater detail all of the issues involved in this policy option before moving to a specific rulemaking proposal.

CMFI Supports More Transparency within Hidden Shareholder Accounts

CMFI believes that the liquidity risks for individual money market funds can also be mitigated effectively by measures to increase transparency of hidden shareholder positions held by financial intermediaries through omnibus accounts.[8] The SEC has developed several regulatory measures to address this transparency problem at the investor level, but more needs to be done.

As stated in a March 2009 Report by the Money Market Working Group of the Investment Company Institute ("ICI"), the liquidity needs of a money market fund are closely correlated with the composition and diversification of its underlying shareholder base.[9] For these reasons, the ICI Report recommended the development of a "robust

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[8] Fund shares can be hidden from mutual funds as a result of omnibus accounting and third-party recordkeeping by certain broker-dealers and other financial intermediaries. During each trading day, these intermediaries aggregate all purchase and redemption requests from their customers into one consolidated order for each mutual fund. A fund handles this consolidated order as a single transaction, treating the financial intermediary, instead of the underlying beneficial owners, as the shareholder of record. Each omnibus account may represent the investment positions of thousands of customers of a particular financial intermediary. However, no investor-level identity or transaction information is generally disclosed to the compliance personnel at a mutual fund, on an ongoing and/or real-time basis, about these underlying shareholders.

[9] Investment Company Institute, Report of the Money Market Working Group, at 82, March 17, 2009, available at http://www.ici.org/pdf/ppr_09_mmwg.pdf ("A money market fund's ability to maintain sufficient liquidity is closely related to the composition and diversification of its shareholder base.") (hereinafter cited as "ICI Report").

shareholder due diligence/know your client process."[10] As described in the ICI Report, this process should continue after a shareholder is first admitted, with a regular review of trading patterns and an ongoing effort to monitor client activity.[11]

The ICI Report acknowledged that the lack of transparency within omnibus accounts does create difficulties for money market funds, in evaluating the liquidity needs of underlying investors in these accounts:

> In particular, funds should consider the various risk levels of shareholders that are omnibus accounts, external direct clients, or internal accounts or cash sweeps from other lines of business of the fund sponsor. Funds also should look closely at the shareholders' use of portals (especially those portals that do not provide funds with the identities of the underlying users) or other third-party distribution methods, because the intentions of the shareholders using the portals may be unclear. ... Our recommendation is designed to encourage money market fund advisers to take a more active role in their assessment of clients as a means of identifying (or excluding) those shareholders that could be detrimental to their funds, and adjusting their liquidity needs accordingly.[12]

In its original rulemaking proposal regarding money market fund reforms, the SEC noted that the liquidity needs of a fund will be driven, in part, by an evaluation of the different types of shareholders investing in each fund:

> The amount of liquidity a fund will need will vary from fund to fund and will turn on cash flows resulting from purchases and redemptions of shares. As a general matter, a fund that has some large shareholders, any one of which could redeem its entire position in a single day, will have greater liquidity needs than a retail fund that has thousands of relatively small shareholders. A fund that competes for yield-sensitive shareholders (*e.g.*, 'hot money') through electronic 'portals' will have substantially greater liquidity needs than a fund holding the cash of commercial enterprises that have predictable needs (such as payrolls).[13]

To address this problem, the SEC first proposed that fund boards determine whether a fund is an "institutional" fund or a "retail" fund, for the purpose of meeting daily and weekly liquidity requirements. The SEC's proposal also required that funds

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[10] Id. at 83.
[11] Id.
[12] Id. at 84.
[13] Money Market Fund Reform, SEC Release No. IC-28807, 74 Fed. Reg. 32,688, at 32,703 (July 8, 2009). (hereinafter "SEC Proposed Rule").

evaluate the risk characteristics of its shareholders and maintain adequate (and potentially larger) liquidity cushions to meet reasonably foreseeable redemptions.

Of course, the primary obstacle to implementing any type of "know your shareholder" process is the fact that, for most money market funds, a substantial majority of fund shares are processed through non-transparent omnibus accounts.

While the SEC dropped its proposal to classify funds into institutional or retail categories, the Final Rule did impose a general liquidity requirement. Under this requirement, a fund is required to hold securities that are sufficiently liquid "to meet reasonably foreseeable shareholder redemptions."[14] In order to comply with the SEC's general liquidity requirement, funds are expected to "consider factors that could affect the fund's liquidity needs, including characteristics of a money market fund's investors and their likely redemptions."[15] According to the SEC, this requirement is to be implemented as follows:

> Thus, to comply with rule 2a-7, as amended, money market funds should adopt policies and procedures designed to assure that appropriate efforts are undertaken to identify risk characteristics of shareholders. In other words, fund boards should make sure that the adviser is monitoring and planning for 'hot money.' In their consideration of these procedures and in the oversight of their implementation, fund boards should appreciate that, in some cases, fund managers' interests in attracting additional fund assets may be in conflict with their overall duty to manage the fund in a manner consistent with maintaining a stable net asset value. We urge directors to consider the need for establishing guidelines that address this conflict.
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> As some commenters noted, identification of these risks may be more challenging when share ownership is less transparent because the shares are held in omnibus accounts. Funds may seek access to information about the investors who hold their interests through omnibus accounts in addition to considering information about the omnibus accounts, including their aggregate historical redemption patterns and the account recordholder's ability to redeem the entire account.[16]

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[14] See 17 C.F.R. § 270.2a-7(c)(5).
[15] SEC Final Rule at 52.
[16] Id. at 53-54. In its Proposed Rule, the SEC noted that fund directors should understand that the general interest of fund managers to increase assets (and thus their advisory fees) may lead them to accept investors who present greater risks to the fund than they might otherwise have accepted. In response, fund directors should consider establishing guidelines for fund advisers that address this potential conflict. See SEC Proposed Rule at 32,707 ("We are aware of more than one occasion in which a fund adviser (or its affiliate that served as the principal underwriter to the fund) has marketed the fund to 'hot money' in order to increase fund assets, which has exposed the fund to substantially higher risks.").

The SEC notes in a footnote that underlying investor information within omnibus accounts can be obtained through contractual arrangements between funds and their financial intermediaries.[17] However, this need for transparency should be standardized and applied to all omnibus accounts in a uniform manner, in order to improve the accuracy and effectiveness of any type of "know your shareholder" process under the new SEC Final Rule.

During the comment period for the SEC's Proposed Rule, several large money market funds advocated for various standardized measures to improve transparency within omnibus accounts, to facilitate a fund's ongoing analysis of its liquidity needs. For example, BlackRock proposed that, at a minimum, the SEC should ensure that each fund adviser receives basic information about the largest shareholders within each omnibus account:

> In addition to the proposed requirements, we would also suggest that the Commission consider requiring an adviser receive some minimum level of transparency for portal and omnibus account positions. This should include aggregate data on the number and stratification of the underlying accounts as well as the specific holdings of any clients that represent more than 5% of the total omnibus or portal position in the fund. This data would further assist the adviser and the fund's board in monitoring each fund's client profile and adjusting portfolio liquidity appropriately.[18]

A J.P. Morgan Asset Management comment letter also advocated for a minimum level of transparency for the largest shareholders investing through omnibus accounts:

> Additionally, we note that the use of certain omnibus accounts and transaction-oriented portals has reduced the ability of funds to analyze cash flows of their ultimate shareholders. We strongly urge the Commission to promote greater transparency with respect to shareholders investing through omnibus accounts and portals to help reduce the uncertainty such shareholders add to a fund's liquidity redemption analysis. Such information should include an analysis

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[17] See SEC Final Rule at footnote 201.

[18] Letter from Paul Audet, Vice Chairman, BlackRock, Inc., to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, at 6, September 4, 2009, available at http://www.sec.gov/comments/s7-11-09/s71109-60.pdf. This recommendation was recently restated in a BlackRock comment letter on the PWG Report. See Letter from Simon Mendelson, Managing Director, and Richard Hoerner, Managing Director, BlackRock, Inc., to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, at 3, January 10, 2011, available at http://www.sec.gov/comments/4-619/4619-22.pdf ("Omnibus accounts and portals should be required to provide sufficient information about the underlying shareholders to verify that the rule is not violated or else be subject to the 5% limitation themselves.").

> and profile (although not the identity) of the largest shareholders investing through each omnibus account and portal.[19]

A third comment letter—by State Street Global Advisors ("State Street")—went even further, advocating more robust transparency at the underlying investor level by extending SEC Rule 22c-2 to money market funds:

> Since the composition of a money market fund's shareholder base is an essential component in determining the level of liquidity required to comply with Section 22(e), we propose that the Commission extend Rule 22c-2 to apply to money market funds with respect to sharing shareholder information. We believe that this requirement would permit funds to periodically examine the nature of their shareholder base, even where most of the fund is held through omnibus accounts.[20]

SEC Rule 22c-2 requires intermediaries to provide funds with investor-level identity and trading information when requested.[21] Money market funds are currently exempt from this requirement, although these funds could clearly benefit from a standardized approach to receiving this information, as an additional tool in evaluating the liquidity needs of underlying shareholders within omnibus accounts.

The need to "look through" omnibus accounts for this purpose also was raised in the SEC Open Meeting approving the Final Rule on money market funds. In answering a question posed by Chairman Mary Schapiro about the SEC's expectations regarding individual fund implementation of the "know your shareholder" procedures, Associate Director Robert Plaze stated the following about this issue:

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[19] Letter from George C.W. Gatch, President & CEO, JPMorgan Funds Management, Inc., to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, at 5, September 8, 2009, available at http://www.sec.gov/comments/s7-11-09/s71109-110.pdf. This recommendation was recently restated in a JPMorgan comment letter on the PWG Report. See Letter from George C.W. Gatch, Chief Executive Officer, J.P. Morgan Asset Management, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, at 4, January 10, 2011, available at http://www.sec.gov/comments/4-619/4619-45.pdf ("The use of certain omnibus accounts and transaction-oriented portals reduces the ability of funds to analyze the cash flows of their ultimate shareholders. That lack of transparency makes it more challenging for funds to determine the optimal levels of liquidity they should maintain. We recommend the adoption of additional Rule 2a-7 requirements that will promote greater transparency from such omnibus accounts and portals including an analysis and profile (not the identity) of the largest shareholders investing through each omnibus account and portal.").

[20] Letter from Phillip S. Gillespie, Executive Vice President and General Counsel, State Street Global Advisers, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, at 9, September 8, 2009, available at http://www.sec.gov/comments/s7-11-09/s71109-108.pdf.

[21] CMFI has advocated in numerous comment letters and other public communications that Rule 22c-2 should be expanded to provide same-day disclosure of investor identity and transaction information of the underlying shareholders within omnibus accounts, to facilitate the uniform application of fund prospectus policies and procedures.

> Similarly ... there are folks who have funds that are purchased by various types of investors through omnibus accounts, in which there is a blind into [who are the underlying] investors. You may have to 'look through' that blind or draw conclusions based on the historical patterns of redemptions that you get through that omnibus account. And so that will impose what is today ... a better practice—a good practice—of many money market fund groups, [and] would impose it across the board.[22]

For all the reasons noted above, CMFI believes that the SEC should expand its general liquidity requirement to include a standardized method for obtaining investor identity and transaction information within omnibus accounts. The best regulatory approach for accomplishing this type of information-sharing between money market funds and their intermediaries is through an extension of Rule 22c-2 to these funds, as suggested by the State Street comment letter. [23]

CMFI Opposes the Proposal to Create a Two-Tier System of Money Market Funds

One policy option presented in the PWG Report would distinguish retail investors from institutional investors, as the latter was primarily responsible for the run on money market funds in the fall of 2008. Under this proposal, retail investors would be offered a fixed NAV fund, while institutional investors would be restricted to floating NAV funds.

The purpose of this proposal is to ensure that retail investors receive a safer money market fund alternative than institutional investors, which may prefer a riskier fund investment with a higher yield. To create this two-tiered system will require a more robust investor identification process than is currently used within the financial services industry. The PWG Report notes several of the impediments to classifying investors in this manner, including the challenges presented by omnibus accounts:

> A prohibition on institutional investors' use of stable NAV [money market funds] would have some practical hurdles, however. Successful enforcement of the rule would require the SEC to define who would qualify as retail and institutional investors. In practice, such distinctions may be difficult, although not impossible, to make. For example, retail investors who own [money market fund] shares because of their participation in defined contribution plans (such as

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[22] Robert Plaze, Associate Director, Division of Investment Management, SEC Open Meeting Webcast Archives at 1:11:37, January 27, 2010, available at http://www.sec.gov/news/openmeetings.shtml.

[23] The ICI may also be supportive of this recommendation, as stated in its comment letter on the PWG Report. See Letter from Paul Schott Stevens, President & CEO, Investment Company Institute, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, at 58, January 10, 2011, available at http://www.sec.gov/comments/4-619/4619-49.pdf ("To help facilitate [the SEC's 'know your investor'] requirement, we recommend that the SEC consider a rule that would directly mandate that, upon request of a money market fund, intermediaries provide the fund with sufficient investor information to aid the fund's efforts to meet its obligations under the SEC's 2010 money market fund reforms.").

> 401(k) plans) may be invested in institutional [money market funds] through omnibus accounts that are overseen by institutional investors (plan administrators). Simple rules that might be used to identify institutional investors, such as defining as institutional any investor whose account size exceeds a certain threshold, would be imperfect and could motivate the use of workarounds (such as brokered accounts) by institutional investors. The SEC, as part of its rulemaking, would need to take steps to prevent such workarounds.[24]

Aside from the lack of transparency in omnibus accounts, any type of two-tier investor classification system will create incentives for manipulation, as investors seek to "game" the system to obtain either higher yields or additional protections from what they would otherwise be entitled to receive.

This type of classification system also will not improve a fund's management of its liquidity risks, as the liquidity needs of investors cannot be precisely organized into a "one-size fits all" framework. Differences in time horizons and use of proceeds can differ widely between and among investors and a simplistic approach to classifying investors in this manner is certain to cause unintended consequences in managing a fund's liquidity risks. An institutional investor will have a strong disincentive to be characterized as such and will be motivated to game the system, in order to obtain some of the benefits offered to retail investors in a fixed NAV fund.[25]

A number of prominent money market fund managers also expressed similar concerns about this approach in comment letters on the SEC's Proposed Rule. For example, Vanguard said the following in a comment letter of August 19, 2009:

> Our experience tells us that differentiating funds as retail or institutional based on the nature of the 'record owners' of fund shares, as the Proposal requires, is overly simplistic. The nature of the record owner does not always correspond to the nature, and likely behavior, of the ultimate investor. A large 'institutional' omnibus account held in the name of a financial intermediary could actually be a conduit account for thousands of individual retail investor accounts. Although technically 'institutional' under the Proposal, such intermediaries lack decision-making authority for their constituent accounts and would not pose the mass redemption risk and liquidity issues of a real institutional holder, such as a hedge

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[24] PWG Report at 31.

[25] See Stan Wilson, "SEC Proposal Puts Fund Boards on Spot," Fund Action, July 6, 2009 ("[A] new split level liquidity requirement would mean retail funds would have a greater percentage of assets free to be placed in longer term securities, likely resulting in a better return for them .... This would give institutional investors a strong incentive to find loopholes to switch their dollars into retail.").

> fund. On the other hand, a 'retail' investor could have a large balance that could pose a liquidity challenge for a fund.[26]

As noted in our previous comment letters, CMFI believes it is impractical to restructure the money market regulatory framework in this manner.[27] It will be very complicated to construct procedures to accurately classify investors into retail or institutional categories. And it is not clear that the end result will be helpful in managing liquidity risks, especially when retail and institutional investors have as many similarities as differences in their liquidity needs and uses of proceeds.

For these reasons, CMFI does not support this two-tier proposal in the PWG Report. In CMFI's opinion, the better policy choice is to provide funds with a regulatory tool to receive ongoing investor-level information through non-transparent intermediary accounts, so that a more accurate and effective evaluation of the liquidity needs of all fund shareholders can be developed and maintained.

CMFI Opposes the Regulation of Money Market Funds as Special Purpose Banks

CMFI also opposes the proposal in the PWG Report to regulate money market funds as special purpose banks. As noted by a number of different commenters on the SEC's Proposed Rule, money market funds are structurally and operationally different than deposit-taking banks. First and foremost, a money market fund does not employ the use of leverage, nor does it extend credit that is tied to its level of deposits or capital. Instead, the assets of a money market fund are fully paid assets owned by its investors. Second, money market funds have not been participants in federal government insurance programs, either before or after the temporary Treasury guarantee program established in the 2008 financial crisis. This is not expected to change, as any type of liquidity backstop being developed would be privately funded by the industry itself. And third, money market funds are not seeking access to the Federal Reserve discount window, as a mechanism to meet their funding obligations.

In CMFI's view, it would be a huge mistake to convert money market funds into special purpose banks. The regulatory complexities would be enormous and include complicated regulatory structures as well as coordination issues between the SEC and banking regulators.

A policy proposal to convert the regulatory structure of money market funds in this fashion also would eliminate the significant value that money market funds have provided to investors over the years, as compared to deposit-taking banks. In an attempt to quantify that value, one large fund complex has observed that, over the past 24 years,

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[26] Letter from F. William McNabb III, President and Chief Executive Officer, The Vanguard Group, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, at 8, SEC File No. S7-11-09 (Aug. 19, 2009), available at http://www.sec.gov/comments/s7-11-09/s71109-35.pdf.

[27] CMFI also has concerns about the merits of replacing a fixed NAV with a floating rate NAV for any type of money market fund.

investors have increased their returns by more than $450 billion by investing in money market funds, rather than through investing in interest-bearing bank deposit accounts.[28] As an account level example, an investment of $1,000 in the average money market fund at the beginning of 1999 would have "out yielded" the average bank account by more than $200 over 10 years, by the end of 2008.[29] Even if the money market fund broke the buck at the end of this period and paid out only 98 cents for each share, the investor would still be ahead by more than $180.[30]

Conclusion

In CMFI's opinion, money market funds do require additional regulatory measures to mitigate the susceptibility of these funds to runs in times of market turmoil. The creation of a privately funded liquidity facility is the best next step for improving the regulatory framework for money market funds, in order to protect investors in a more robust manner from liquidity problems that can occur from time-to-time. CMFI also believes that the SEC should require greater transparency within omnibus accounts, so that fund advisers can develop more accurate and sophisticated evaluative processes regarding the liquidity needs of all the underlying shareholders in each money market fund. Other policy options—such as a two-tier regulatory system, attempts to classify investors into retail and institutional categories, and the conversion of money market funds into special purpose banks—should not be adopted as proposed.

Thank you for the opportunity to comment on the regulatory options presented in the President's Working Group Report. If the SEC requires additional information from CMFI, or a clarification of any of our views on these proposed money market reforms. please feel free to contact us.

Sincerely,

Niels Holch
Executive Director
Coalition of Mutual Fund Investors

cc: The Honorable Mary L. Schapiro
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter

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[28] See Federated Investors, Inc., Presentation for the Securities and Exchange Commission: Proposed Money Fund Reforms, at 6, January 2010, available at http://www.sec.gov/comments/s7-11-09/s71109-170.pdf.
[29] Id., citing iMoneyNet and Bank Rate Monitor.
[30] See Id.

The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes
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