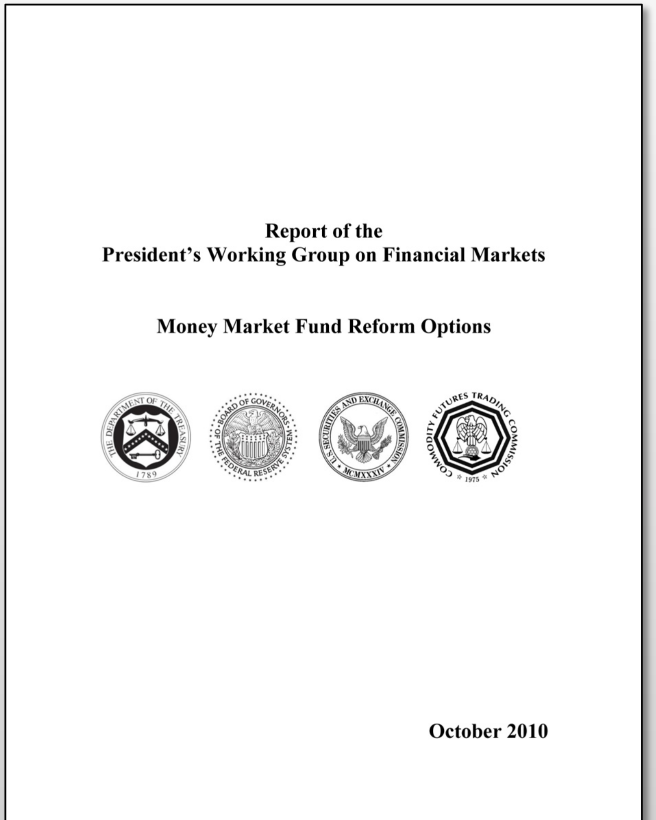

Report of the
President's Working Group on Financial Markets

Money Market Fund Reform Options

October 2010

ICD, LLC

President's Working Group
Survey Results

December 2010

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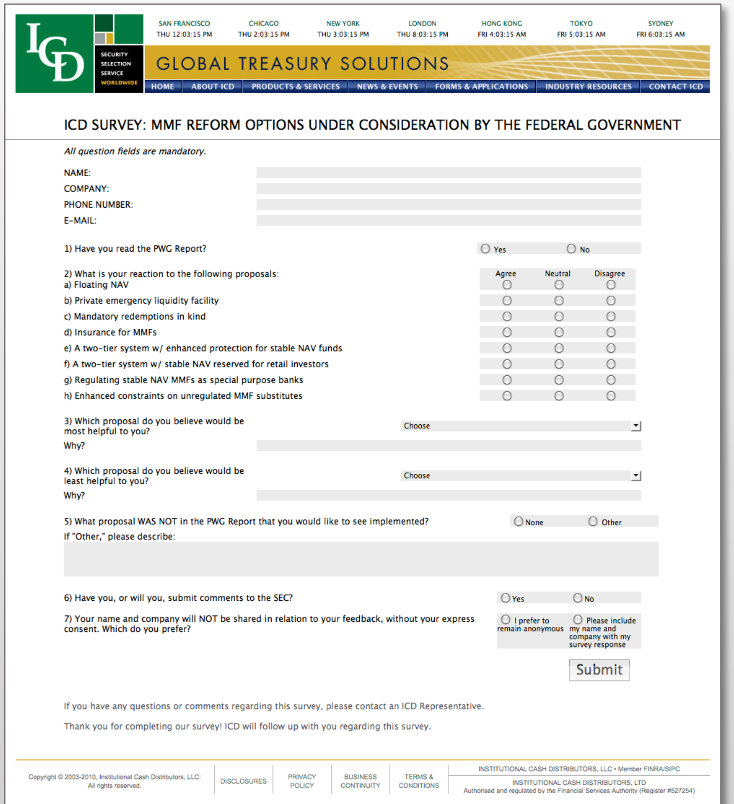
SECURITY SELECTION SERVICE WORLDWIDE ™

ICD SURVEY



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ICD SURVEY: MMF REFORM OPTIONS UNDER CONSIDERATION BY THE FEDERAL GOVERNMENT

All question fields are mandatory.

NAME:
COMPANY:
PHONE NUMBER:
E-MAIL:

1) Have you read the PWG Report? ○ Yes ○ No

2) What is your reaction to the following proposals:	Agree	Neutral	Disagree
a) Floating NAV	○	○	○
b) Private emergency liquidity facility	○	○	○
c) Mandatory redemptions in kind	○	○	○
d) Insurance for MMFs	○	○	○
e) A two-tier system w/ enhanced protection for stable NAV funds	○	○	○
f) A two-tier system w/ stable NAV reserved for retail investors	○	○	○
g) Regulating stable NAV MMFs as special purpose banks	○	○	○
h) Enhanced constraints on unregulated MMF substitutes	○	○	○

3) Which proposal do you believe would be most helpful to you? Choose
Why?

4) Which proposal do you believe would be least helpful to you? Choose
Why?

5) What proposal WAS NOT in the PWG Report that you would like to see implemented? ○ None ○ Other
If "Other," please describe:

6) Have you, or will you, submit comments to the SEC? ○ Yes ○ No

7) Your name and company will NOT be shared in relation to your feedback, without your express consent. Which do you prefer? ○ I prefer to remain anonymous ○ Please include my name and company with my survey response

Submit

If you have any questions or comments regarding this survey, please contact an ICD Representative.

Thank you for completing our survey! ICD will follow up with you regarding this survey.

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1. **Have you read the PWG Report?**
2. **What Is Your Reaction To The Following Proposals:**
   - **2a. Floating NAV**
   - **2b. Private emergency liquidity facility**
   - **2c. Mandatory redemption in kind**
   - **2d. Insurance for MMFs**
   - **2e. A two-tier system w/ enhanced protection for stable NAV funds**
   - **2f. A two-tier system w/ stable NAV reserved for retail investors**
   - **2g. Regulating stable NAVs MMFs as special purpose banks**
3. **Which proposal do you believe would be most helpful to you?**
4. **Which proposal do you believe would be least helpful to you?**
5. **What proposal WAS NOT in the PWG Report that you would like to see implemented?**
6. **Have you, or will you, submit comments to the SEC?**
7. **Your name and company will NOT be shared in relation to your feedback, without your express consent. Which do you prefer?**

ICD SURVEY – Preliminary Results

Summary

Registered with FINRA and FSA, ICD is a broker-dealer with the world's largest independent money market fund portal* that services corporate treasury clients with more than 200 funds from 35 global fund families.

In response to the November 3, 2010 SEC request for comment on the regulatory options presented by the President's Working Group on Financial Markets' study of possible money market fund reforms, ICD conducted a client survey to elicit industry response and reaction to the PWG's reform options and recommendations.

The ICD SURVEY polled ICD clients with more than 50 corporate treasury respondents taking part. ICD's client base includes 26 in the 2010 Fortune 500 – 8 of which are in the 2010 Fortune 100.

The ICD SURVEY was conducted in December 2010.

* Crane Data, September 2010

ICD SURVEY – Preliminary Results

Summary cont.

The ICD SURVEY covered the 8 principle reform options presented in the PWG Report and participants were asked to provide their responses using a 3-Point Rating Scale (Agree, Neutral, Disagree).

Additional questions such as whether they had read the PWG Report, and what reform options they thought would be most helpful and/or least helpful were included in this survey.

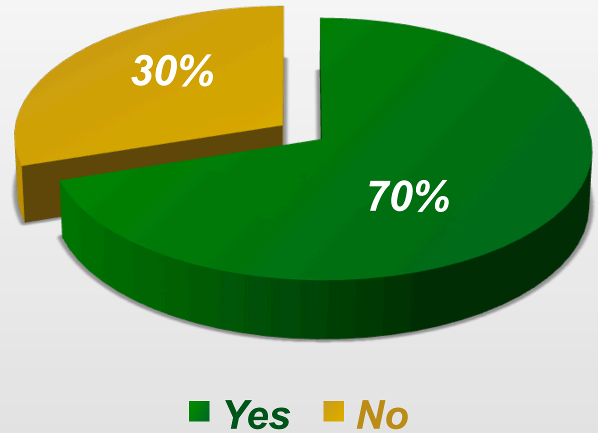
Respondents were also provided the opportunity to provide commentary if they chose and were given the discretion to remain anonymous if they preferred.

The ICD SURVEY findings are the finite results calculated from the data provided by our client respondents.

1. Did you read the report?

ICD SURVEY RESPONSE

The ICD SURVEY provided direct access to a PDF download of the President's Working Group on Financial Markets' Money Market Fund Reform Options Report.



ICD SURVEY RESPONSE

70% of ICD's client respondents indicated that they read the report. PWG's MMF reform options were of interest to a majority of ICD's corporate treasury survey takers.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

2a. Floating NAV

Moving to a floating NAV would help remove the perception that MMFs are risk- free and reduce investors' incentives to redeem shares from distressed funds.

First, the stable, rounded NAV has fostered investors' expectations that MMF shares are risk-free cash equivalents. (p.19)

Second, a rounded NAV may accelerate runs by amplifying investors' incentives to redeem shares quickly if a fund is at risk of a capital loss. (p.19)

Third, the SEC rules that permit funds to maintain a stable, rounded NAV also force an abrupt decrease in price once the difference between a fund's market-based shadow NAV and its $1 stable NAV exceeds one-half of 1 percent. (p. 20)

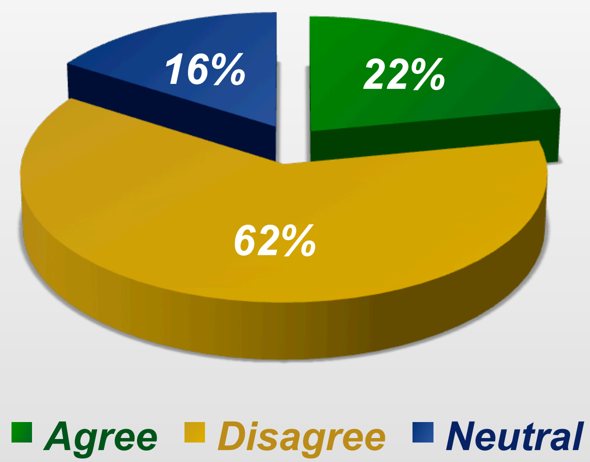
The elimination of the stable NAV for MMFs would be a dramatic change for a nearly $3 trillion asset-management sector that has been built around the stable share price.

First, a change might reduce investor demand for MMFs and thus diminish their capacity to supply credit to businesses, financial institutions, state and local governments, and other borrowers who obtain financing in short-term debt markets. (p. 21)

Second, a related concern is that elimination of MMFs' stable NAVs may cause investors to shift assets to stable NAV substitutes that are vulnerable to runs but subject to less regulation than MMFs. (p. 21)

Third, MMF's transition from stable to floating NAV's might itself be systemically risky. Shareholders who can't tolerate floating NAVs probably also would redeem in advance. (p. 22)

Fourth, risk management practices in a floating NAV MMF industry might deteriorate without the discipline required to maintain a $1 share price. MMFs comply with rule 2a-7 because doing so gives them the ability to use amortized-cost accounting to maintain a stable NAV. With a floating NAV, funds would not have as clear a tipping point, so fund advisers might face reduced incentives for prudent risk management. (p. 22)



ICD SURVEY RESPONSE

Floating NAVs received the strongest negative reform option response with 62% of ICD SURVEY respondents disagreeing and 22% agreeing to this option.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

2b. Private Emergency Liquidity Facility

The liquidity risk of MMFs contributes importantly to their vulnerability to runs, and an external liquidity backstop to augment the SEC's new liquidity requirements for MMFs would help mitigate this risk.

First, a private liquidity facility, in combination with the SEC's new liquidity requirements, might substantially buttress MMF's ability to withstand outflows without selling assets in potentially illiquid markets. (p. 23)

Second, a private emergency facility might offer important efficiency gains from risk pooling. (p. 23)

Third, a private liquidity facility might provide funds with flexibility in managing liquidity risks. (p.23)

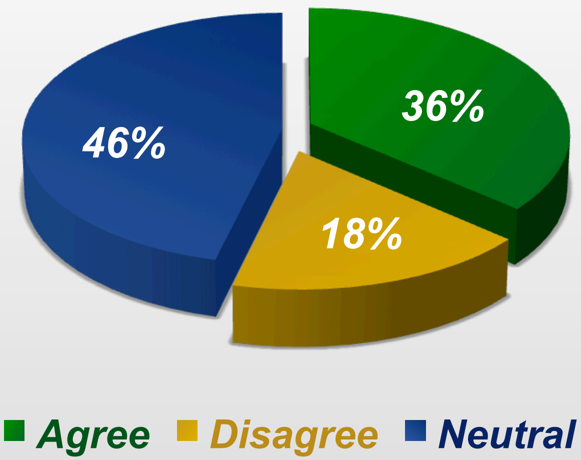
Fourth, a properly designed and well-managed private liquidity facility would internalize the cost of liquidity protection for the MMF industry and provide appropriate incentives for MMFs and their investors. (p.23)

A liquidity facility alone may not prevent broader runs on MMFs triggered by concerns about widespread credit losses.

A facility would not help funds that take on excessive capital risks or face runs because of isolated credit losses (a well-designed private liquidity facility would not have helped the Reserve Primary Fund or its shareholders avoid losses in September 2008 due to holdings of Lehman Brothers debt). (p.23)

Moreover, a liquidity facility alone may not prevent runs on MMFs triggered by concerns about more widespread credit losses at MMFs. (p.23)

A private facility may face conflicts of interest during a crisis when liquidity is in short supply. (p.24)



ICD SURVEY RESPONSE

ICD client respondents generally reacted favorably to a Private Emergency Liquidity Facility option with 46% in favor and only 18% in disagreement.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

2c. Mandatory Redemptions In Kind

A requirement that MMFs distribute large redemptions in kind, rather than in cash, would force these redeeming shareholders to bear their own liquidity costs and thus reduce the incentive to redeem.

A requirement that MMFs distribute large redemptions would force these redeeming shareholders to bear their own liquidity costs and reduce their incentive to redeem (p.25).

If liquidity pressures are causing money market instruments to trade at discounts, a MMF that distributes a large redemption in cash may have to sell securities at a discount to raise cash (p.25).

All shareholders in the fund would share in the loss on a pro rata basis (p.25).

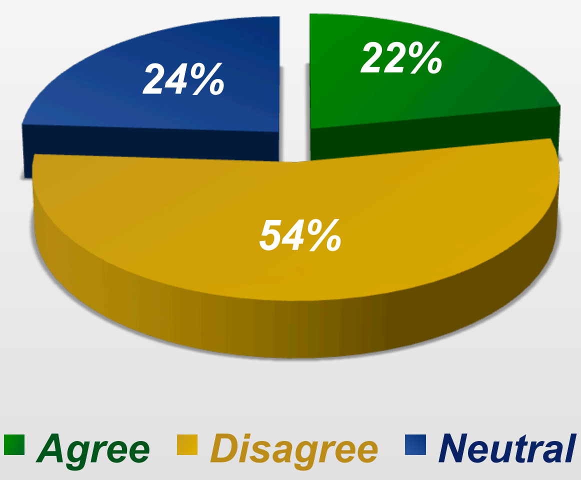
Requiring large redemptions to be made in kind would reduce, but not eliminate the systemic risk associated with large, widespread redemptions.

Shareholders with immediate liquidity needs who receive securities from MMFs would have to sell those assets, and the consequences for short-term markets of such sales would be similar to the effects if the money market fund itself had sold the securities (p.26).

An in-kind redemption requirement would present some operational and policy challenges (p.26).

Portfolio holdings of MMFs sometimes are not freely transferable or are only transferable in large blocks of shares, so delivery of an exact pro rata portion of each portfolio holding to a redeeming shareholder may be impracticable (p.26).

Depending on whether redeeming shareholders immediately sell the securities received, redemptions in kind may still generate market effects (p. 26).



ICD SURVEY RESPONSE

Mandatory Redemptions In Kind were poorly received by ICD clients with only 22% agreeing with the reform option and 54% in disagreement. Several respondents thought that it was too operationally complex.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

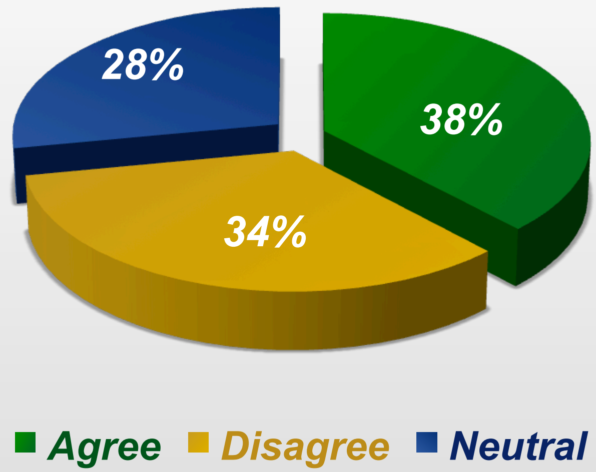
2d. Insurance For MMFs

Some form of insurance for MMF shareholders might be helpful in mitigating the risk of runs in MMFs.

- Insurance would substantially reduce or eliminate any losses borne by the shareholders of the MMF that experienced the capital loss and damp their incentives to redeem shares in that fund. (p.27)
- In a crisis that triggers concerns about widespread credit losses, liquidity protection without some form of insurance may still leave MMFs vulnerable to runs. (p.27)

Insurance could, in principle, be provided by the private sector, the government, or a combination of the two, but all three options have potential drawbacks.

- Private insurers have had considerable difficulties in fairly pricing and successfully guaranteeing rare but high-cost financial events, as demonstrated, for example, by the recent difficulties experienced by financial guarantors. (p. 27)
- Public insurance would necessitate new government oversight and administration functions and, particularly in the absence of private insurance, would require a mechanism for setting appropriate risk-based premiums (either pre- or post-event). (p. 27)
- Insurance increases moral hazard and would shift incentives for prudent risk management by MMFs from fund advisers, who are better positioned to monitor risks, to public or private insurers. (p.28)



ICD SURVEY RESPONSE

ICD respondents were somewhat more favorable to the idea of risk mitigation that Insurance promised with 38% in agreement and 28% neutral. Yet 34% disagreed stating that insurance created false hope and encourages risk.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

2e. A 2-tiered system with enhanced protection for stable NAV funds

Reducing MMFs' susceptibility to runs may be particularly effective if they permit investors to select the types of MMFs that best balance their appetite for risk and their preference for yield.

Policymakers could allow two types of MMFs:

- Stable NAV funds, which would be subject to enhanced protections such as required participation in a private liquidity facility or enhanced regulatory requirements. (p. 5)
- Floating NAV funds, which would have to comply with certain, but not all, rule 2a-7 restrictions (and which would presumably offer higher yields). (p. 5)

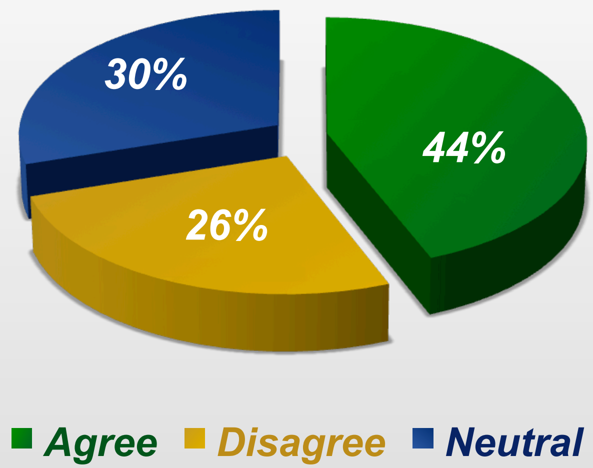
By preserving stable NAV funds a two-tier system might prevent large shifts of assets out of MMFs-and a reduction in credit supplied by the funds. (p. 29)

For a two-tier system to be effective and materially mitigate the risk of runs, investors would have to fully understand the difference between the two types of funds and their associated risks.

Investors who do not make this distinction might flee indiscriminately from floating NAV and stable NAV funds alike. (p. 29)

Effective design of a two-tier system would have to incorporate measures to ensure that large-scale shifts of assets among MMFs in crises would not be disruptive. (p. 30)

Implementation of such a two-tier system would present the same challenges as the introduction of any individual enhanced protections. (p. 30)



ICD SURVEY RESPONSE

44% of the ICD respondents were in agreement with a two-tier system with enhanced protection for stable NAVs. 30% were neutral. 26% disagreed with the option. Many were concerned with additional risk profiles and more trading complexity.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

2f. A 2-tiered system with stable NAV reserved for retail investors

Stable NAV MMFs could be made available only to retail investors, who could choose between stable NAV and floating NAV funds, while institutional investors would be restricted to floating NAV funds.

This approach would mitigate risks associated with a stable NAV by addressing the investor base of stable NAV funds rather than by mandating other types of enhanced protections for those funds. (p. 5)

[This] system also would protect the interests of retail investors by reducing the likelihood that a run might begin in institutional MMFs. (p. 5)

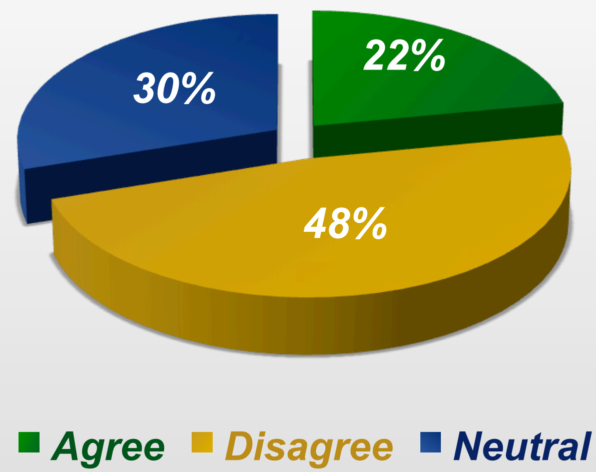
One advantage of this alternative is that it could be accomplished by SEC rulemaking under existing authorities without establishing additional market structures. (p. 30)

A prohibition on sales of stable NAV MMFs shares to institutional investors may have many of the same unintended consequences as a requirement that all MMFs adopt floating NAVs.

Prohibiting institutional investors from holding stable NAV funds might cause large shifts in assets to unregulated MMF substitutes. (p. 31)

Institutional MMFs currently account for almost two-thirds of the assets under management in MMFs. (p. 31)

A two-tier system based on investor type would preclude some of the advantages of allowing institutional investors to choose between stable NAV MMFs and floating NAV MMFs. (p. 31)



ICD SURVEY RESPONSE

22% of ICD's corporate respondents were in agreement and 30% were neutral to a two-tier system with stable NAVs for retail investors. 48% were against the option.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

2g. Regulating stable NAV MMFs as special purpose banks

Functional similarities between MMF shares and bank deposits, as well as the risk of runs on both, provide a rationale for requiring stable NAV MMFs to reorganize as special purpose banks (SPBs) subject to banking oversight and regulation.

As banks, MMFs and their investors might benefit from access to government insurance and emergency liquidity facilities at a price similar to that currently paid by depository institutions.(p. 32)

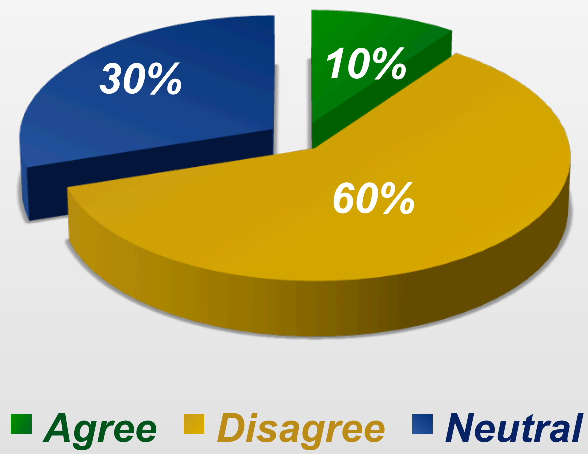
[A benefit of] such a re-organization could be that it uses a well-understood regulatory framework for the mitigation of systemic risk. (p. 6)

Its implementation might take a broad range of forms and would probably require legislation together with interagency coordination.

The capital needed to reorganize MMFs as SPBs may be a significant hurdle to successful implementation of this option. (p. 33)

If asset managers or other firms were unwilling or unable to raise the capital needed to operate the new SPBs, a sharp reduction in assets in stable NAV MMFs might:

- diminish their capacity to supply short-term credit
- curtail the availability of an attractive investment option (for retail investors),
- motivate institutional investors to shift assets to unregulated vehicles. (pg. 34)



ICD SURVEY RESPONSE

ICD respondents reacted strongly against Special Purpose Banks (SPBs) with 60% disagreeing with the option. Only 10% voted in favor of this option that anticipates major regulatory and legislative work.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

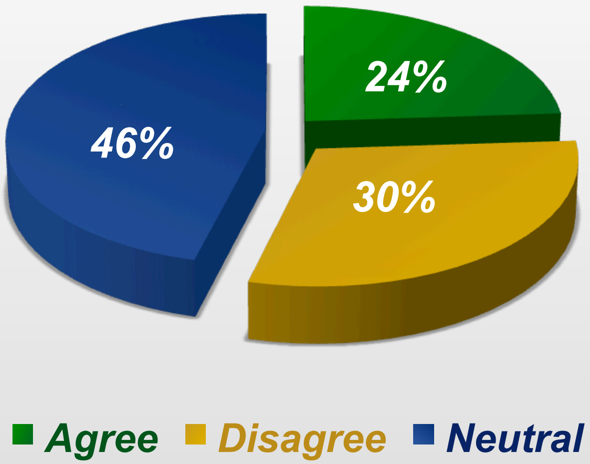
2h. Enhanced restraints on unregulated MMF substitutes

Effective mitigation of systemic risks may require policy reforms targeted outside the MMF industry to address risks posed by funds that compete with MMFs and to combat regulatory arbitrage that might offset intended reductions in MMF risks.

- Growth of unregulated MMF substitutes would likely increase systemic risks.
- Consideration should be given to prohibiting unregistered investment vehicles from maintaining stable NAVs. (p.35)

Reforms that reduce the appeal of MMFs may motivate some institutional investors to move assets to alternative cash management vehicles with stable NAVs, such as offshore MMFs, enhanced cash funds, and other stable value vehicles.

- The risks posed by MMF substitutes are difficult to monitor, since they provide far less market transparency than MMFs. (p. 35)
- New measures intended to mitigate MMF risks may also reduce the appeal of MMFs to many investors. (p. 6)
- Reforms of this type generally would require legislation and action by the SEC and other agencies. (p. 6)



ICD SURVEY RESPONSE

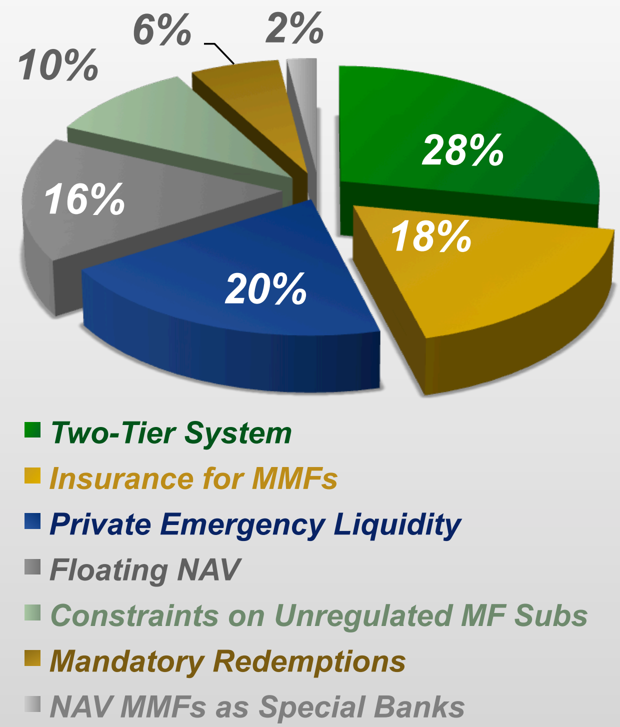
ICD respondents were unclear about an option that contemplated enhanced constraints on unregulated MMFs. 46% voting neutral, 24% agreeing and 30% disagreeing.

Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

3. Which proposal do you believe would be MOST helpful to you?

ICD SURVEY RESPONSE

ICD clients offered a mixture of responses when questioned about which reform option proposal provided the most help. Three options were prevalent. 28% percent opted for a two-tier system with enhanced protection for stable NAVs, 20% chose private emergency liquidity facilities, and 18% selected MMF insurance.

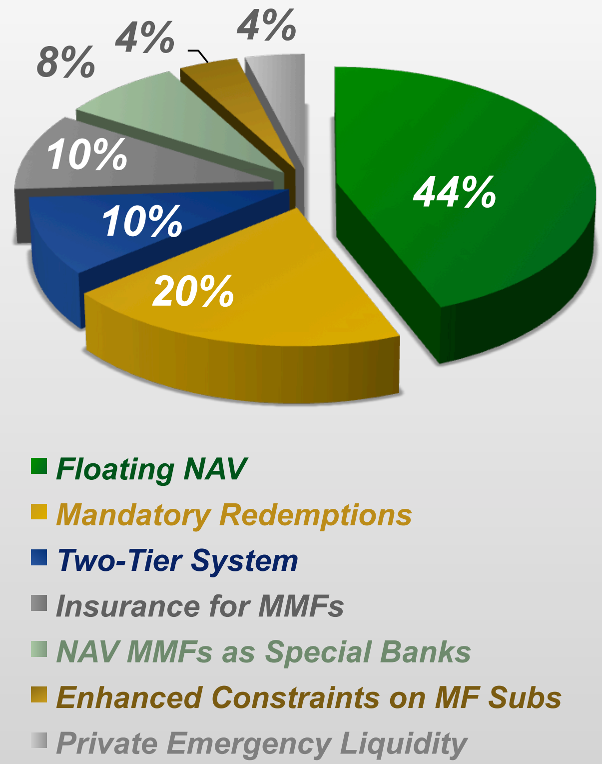


Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

4. Which proposal do you believe would be LEAST helpful to you?

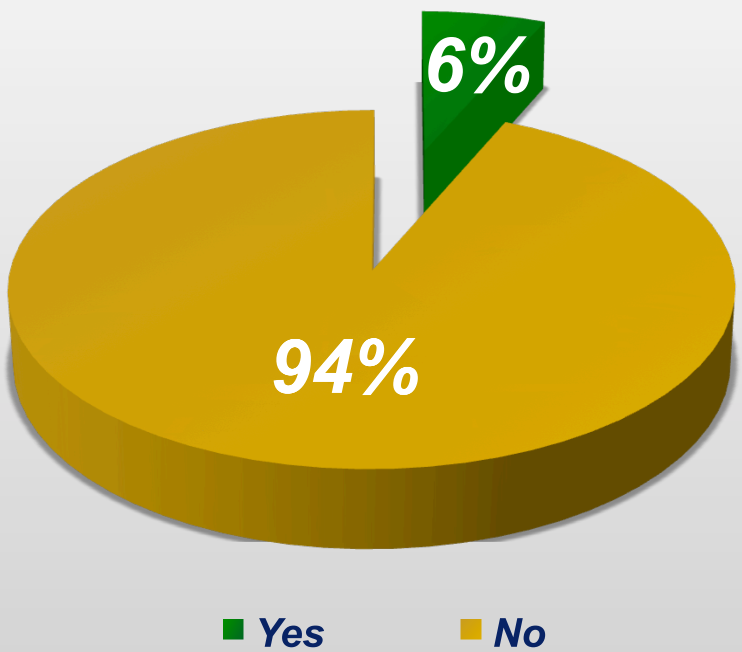
ICD SURVEY RESPONSE

ICD respondents reacted most negatively to the floating NAV option with 44% indicating that they found it least helpful. (Many respondents went on to write negative commentary about the reform option of floating NAVs). Mandatory redemptions produced the second most negative response at 20%.



Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

6. Have you, or will you, submit comments to the SEC?



Work Cited: PWG Report of the President's Working Group on Financial Markets – Money Market Fund Reform Options

ICD Client Respondent Commentary

Report Awareness

"Proposals like [PWG] only continue to create false safety nets that do more harm to investors than good."

Private Emergency Liquidity Facility

"A private emergency liquidity facility provides enhanced liquidity protection and it is attractive because the facility does not need to be provided by the government."

Floating NAV

"$3 trillion dollars proves that investors like the stable NAV. Work within that framework to de-risk the fund so it can maintain a stable NAV, even if that means reducing yield. Just recognize the implications for those seeking clarity around their financing arrangements."

Mandatory Redemptions In Kind

"Companies shouldn't be penalized for making large redemptions."

"Firms do not have the capacity, system or staff to handle this."

ICD Client Respondent Commentary

Insurance For MMFs

"A significant private insurance component of funds may cause a susceptibility to the kind of underlying exposure that sank AIG."

A two-tier system with stable NAV reserved for retail investors

"A two-tier system w/stable NAV reserved for retail investors forces institutional investors into floating NAV funds."

A two-tier system with enhanced protection for stable NAV funds

"Due to the conservative nature of the proposal, this would better fit our guidelines and potential return to Prime Funds."

Regulating stable NAV MMFs as special purpose banks

"Regulating stable NAV MMFs as Special Purpose Banks would invite a legislative mess and further complicate matters."

ICD Client Respondent Commentary

Enhanced constraints on unregulated MMF substitutes

"We do not invest in unregulated MMFs."

Which proposal do you believe would be MOST helpful to you?

"Institutional clients should remain eligible to participate in stable NAV funds and communicate around the timing of outflows/inflows to better help the fund manage the stable NAV."

"Private emergency liquidity has no accounting impact, however, I question if the facility size could be large enough to eliminate the risk of run on the facility."

Which proposal do you believe would be LEAST helpful to you?

"Please recognize that investors know they are taking risks by investing in an MMF, and that occasional losses are acceptable. To avoid losses investors can stay with government-only funds. Instead we are perpetuating the myth that no loss is acceptable because it may hurt a retail investor. The banks are the regulated and the protected alternative for investors who are unable or unwilling to take a loss."