

**MEMORANDUM**

TO: File No. 4-619; President's Working Group Report on Money Market Fund Reform

FROM: Smeeta Ramarathnam  
Office of Commissioner Luis A. Aguilar

DATE: April 7, 2011

SUBJECT: Meeting with representatives of Fidelity

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On April 7, 2011, Commissioner Aguilar, along with Smeeta Ramarathnam, Chief of Staff for the Commissioner, met with Scott Goebel, Kevin Meagher, Robert Brown and Nancy Prior of Fidelity.

The Fidelity representatives presented Fidelity's proposal for a mandatory reserve for money market funds that is discussed in Fidelity's comment letter dated January 10, 2011 (pages 10-13). Additionally, the attached materials were provided.

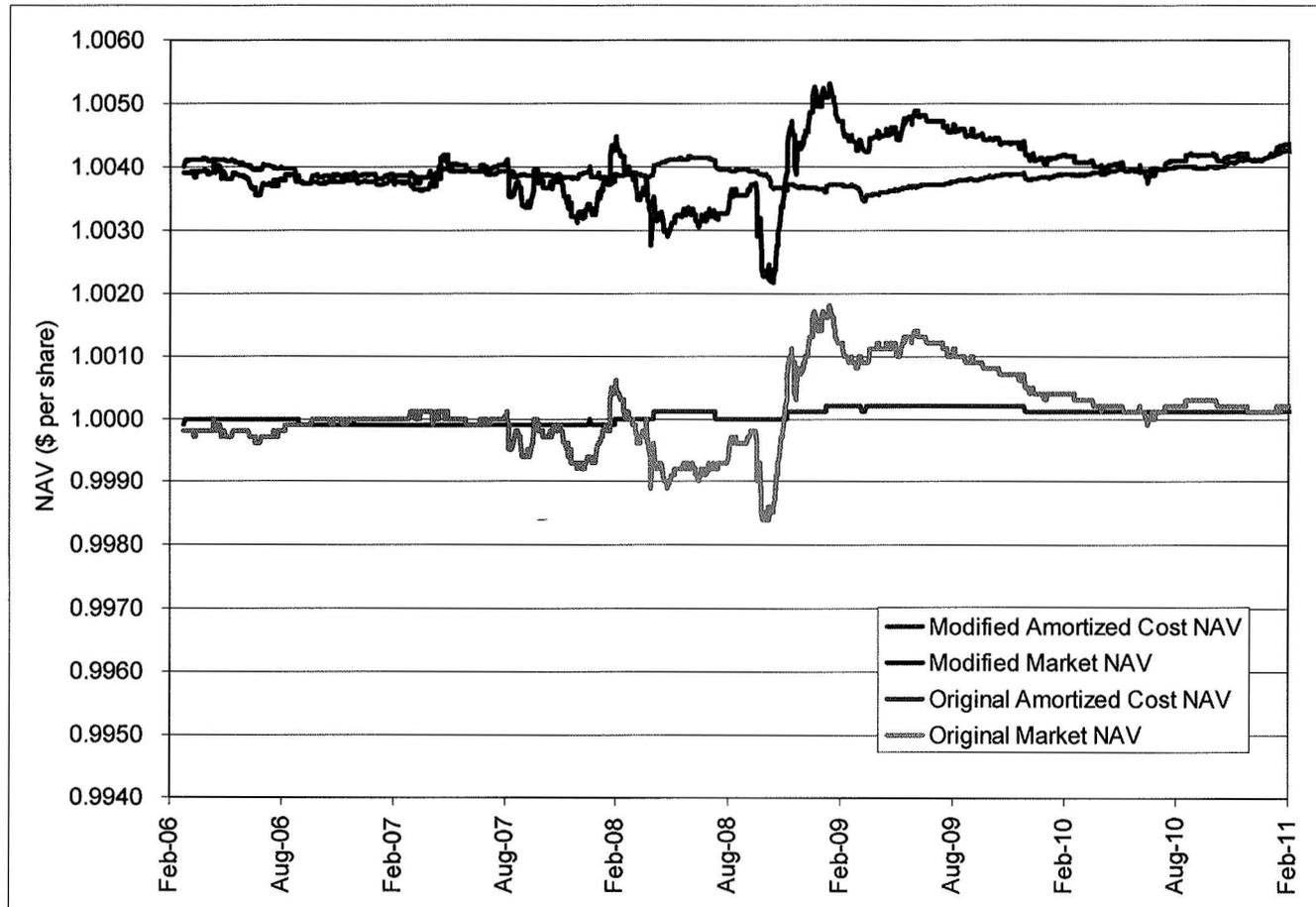
- ▶ Money Market Mutual Fund  
NAV Buffer Overview

April 2011

## ▶ Reserve/Buffer for Money Market Mutual Funds

- ▶ Retain income in each fund by slightly reducing net yield for shareholders
  - » Buffer used to off-set realized and unrealized market value losses
  - » Transparent to shareholders
- ▶ Provides confidence to and protection for shareholders
  - » Buffer is fully funded and is an asset of the fund subject to Board oversight
  - » When market value NAV is above \$1.00, shareholder incentive to redeem is mitigated
    - As shareholders redeem, reserve/buffer typically increases
- ▶ Addresses potential credit and liquidity concerns
  - » Funds could sell positions at slight loss during market stress to remove an impaired security or to raise additional liquidity
- ▶ Would phase in over time so as not to disrupt capital markets
- ▶ Simple to implement within existing regulatory structure
  - » No new government program or regulatory forbearance needed
  - » May need legislative changes for tax issues over time

## Historic Example of Representative Prime Fund Modified to Show Impact of NAV Reserve/Buffer



Notes: Time series starts on February 22, 2006 with NAV reserve/buffer = \$1.0040

Example assumes holdback of income at 5 bps per year with threshold for resumption of holdback at \$1.0030