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January 24, 2013

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Response to Questions Posed by Commissioners Aguilar, Paredes, and Gallagher

Dear Ms. Murphy:

Fidelity Investments ("Fidelity") [1] would like to take the opportunity to provide the Commission with comments in response to the recent study issued by the staff of the SEC's Division of Risk, Strategy, and Financial Innovation, entitled "Response to Questions Posed by Commissioners Aguilar, Paredes, and Gallagher"[2] (the "SEC Study").

The SEC Study addresses the Commissioners' questions regarding money market fund activity during the 2008 financial crisis, the efficacy of the 2010 money market fund reforms, and how money market funds would have performed in 2008 had the 2010 reforms been in place at the time.

The materials we submit today address some of the analysis and data provided in the SEC Study. Fidelity continues to believe that the 2010 reforms have made money market mutual funds more resilient and that additional reform is not necessary. However, to the extent that regulators continue to explore additional reforms, it is critical that any new proposals be based on data and facts that are accurate and complete and that any reforms apply only to the appropriate universe of funds. As the SEC Study recognizes, not all money market mutual funds have performed similarly during times of financial stress. Accordingly, we believe the data supports excluding Treasury, government, and tax-exempt money market mutual funds from any further reform. Moreover, within the category of "prime" money market mutual funds, we believe that differences in redemption patterns between "retail" and "institutional" funds warrant further

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[1] Fidelity is one of the world's largest providers of financial services, with assets under administration of over $3.8 trillion, including managed assets of over $1.6 trillion. Fidelity is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing and many other financial products and services to more than 20 million individuals and institutions, as well as through 5,000 intermediary firms.

[2] Response to Questions Posed by Commissioners Aguilar, Paredes, and Gallagher, *available at* http://www.sec.gov/news/studies/2012/money-market-funds-memo-2012.pdf.

examination and definition before determining which, if any, of these funds should be subject to additional reforms.

We urge the Commission to give full consideration to these materials as it evaluates the appropriateness of any additional regulation for money market mutual funds.

Fidelity would be pleased to provide any further information or respond to any questions that the Commissioners or staff may have.

Sincerely,

cc: The Honorable Elisse B. Walter, Chairman
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
The Honorable Daniel M. Gallagher, Commissioner

Norm Champ, Director, Division of Investment Management
Craig Lewis, Director, Division of Risk, Strategy, and Financial Innovation

An Analysis of the SEC Study on Money Market Mutual Funds:
Considering the Scope and Impact of Possible Further Regulation

January 2013

Introduction

On November 30, 2012, the Division of Risk, Strategy, and Financial Innovation ("RSFI") within the Securities and Exchange Commission ("SEC") released the results of a study[1] ("SEC Study") in response to certain questions regarding money market mutual funds ("MMFs") that had been posed by SEC Commissioners Aguilar, Gallagher, and Paredes. These Commissioners had jointly requested in September 2012 that RSFI undertake a focused research and data-gathering effort so that they could gain a better understanding of (1) MMF shareholder flows during the 2008 financial crisis; (2) the effectiveness of the most recent MMF reforms adopted by the SEC in 2010 ("2010 Reforms"); and (3) the potential impact that any additional MMF reform may have on short-term debt markets.

The SEC Study is a thoughtful and independent analysis. As the SEC evaluates whether to move forward with a proposal for additional MMF reform, Fidelity encourages the SEC to continue to engage in a rigorous assessment of the costs and benefits of possible future regulation by applying careful, thorough economic analyses of the likely consequences of new rules using all relevant data. Only by employing a process of this kind can the SEC advance its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

The SEC Study sets a solid foundation for deliberation on possible further MMF reform. The SEC's work is particularly helpful as a counterpoint to the recent proposed recommendations from the Financial Stability Oversight Council,[2] which seeks to impose structural reform on all MMFs without appropriately considering whether such broad reforms are supported by empirical data. The SEC's analysis helps make clear that certain types of MMFs do not need any further reform.

We have analyzed the SEC Study and augmented its findings with our own data and experience to develop a set of informed conclusions about the study, which we present in the following pages. We have organized our observations into the following four interrelated themes:

1. The SEC Study demonstrates that the 2010 Reforms significantly reduced risk across all types of MMFs.
2. The SEC Study shows that most types of MMFs were not subject to large, abrupt redemptions during the financial crisis.
3. The SEC Study highlights that certain "institutional" funds have performed differently than "retail" funds; yet there is no regulatory classification of funds based on shareholder type or composition.
4. If, based on findings from its study, the SEC determines that further reform is necessary, then such reform should be narrowly tailored, so as to minimize disruption to short-term markets and lessen adverse impacts on long-term economic activity.

The remainder of this document consists of four sections designed to address these themes and to provide detailed analysis, support, and, in some cases, rebuttal, of the most significant findings of the SEC Study.

Fidelity INVESTMENTS®

The SEC Study demonstrates that the 2010 Reforms significantly reduced risk across all types of MMFs.

As the largest U.S. MMF provider, we have seen increased resiliency in MMFs after the 2010 Reforms. The SEC Study provides an independent verification of our experience.

MMFs are generally classified into four major categories (see Exhibit 1) based on the types of assets they hold: Treasury, government, municipal, and prime (also referred to as "general purpose"). Clearly, the risk profiles associated with MMFs in these four categories can vary significantly based solely on fund holdings.

To quantify the impact of the 2010 Reforms on different types of MMFs, SEC staff developed a mathematical model of MMF share-price dynamics. Using this model (referred to in the SEC Study as Model A2), the staff produced estimates of the probability that a MMF with a specified allocation to Treasury securities ranging from 0% to 100% would break the buck under different assumptions about the fund's weighted average maturity ("WAM").

The SEC simulated the share prices of funds having a 90-day WAM (the maximum allowable WAM under Rule 2a-7 before the 2010 Reforms) as well as funds having a 60-day WAM (the maximum allowable WAM today). The results from Model A2, which are shown in Exhibit 2, reveal a dramatic reduction (by at least 80% for a fund holding no Treasury securities) in the risk of breaking the buck based solely on reduction of the portfolio WAM.

SEC Model A2 shows that a fund currently holding *just 50%* of its assets in Treasury securities, when exposed to both interest rate risk and credit default risk, has a 0.00% probability of breaking the buck. This analysis confirms that Treasury MMFs as well as government MMFs (which own similar securities to Treasury MMFs and have interest rate risk and credit default risk nearly identical to that of Treasury MMFs)—with a zero probability of breaking the buck—have no need for further reform.

What is more, if the SEC were to require prime funds to have a minimum of 50% of assets in government securities, then, under the testing by SEC Model A2, prime funds would have a near-zero probability of breaking the buck. We believe that this is an idea that merits further study by the SEC.

Had SEC staff taken into account other risk-limiting provisions in the 2010 Reforms in addition to the more restrictive WAM constraint, they could have demonstrated an even greater reduction in risk for all types of MMFs. The 2010 Reforms were quite broad and diverse in that they imposed more stringent constraints on fund maturity, liquidity, and quality, as well as new requirements on fund disclosure, operations, and oversight. Based on our experience and interactions with our customers, Fidelity believes that, apart from the reduction in the maximum allowable WAM mentioned above, the following additional elements of the 2010 Reforms have already reduced (or have the potential to reduce) MMF risk most significantly:

- Minimum liquidity requirements (10 percent daily liquid assets, 30 percent weekly liquid assets) now enable funds to handle large, unexpected redemptions in the rare instances when they do occur (see Exhibit 3).
- Disclosure requirements have created a powerful governor on MMFs, as demonstrated in Summer 2011, when investors, regulators, financial journalists, and other market observers were able to monitor holdings frequently.
- A new maximum allowable portfolio weighted average life ("WAL") of 120 days now limits price volatility in a MMF (owing specifically to a change in credit spreads or to a dislocation in benchmark interest rates) by implicitly constraining holdings in floating-rate securities.
- Wind-down procedures now allow the board of trustees of a MMF to suspend redemptions, thereby facilitating orderly liquidation of the fund and avoiding the need for forced asset sales in times of market stress.

EXHIBIT 1: Categorization of the four major types of MMFs according to their typical holdings.

MMF Type	Typical Instruments Held
Treasury	U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.
Government	U.S. Treasury securities, other government securities, and repurchase agreements collateralized by U.S. Treasury or other government securities.
Municipal	Tax-exempt securities issued by state and local governments and non-profit entities.
Prime	Any eligible money market instrument as defined by SEC Rule 2a-7, including all types listed above as well as commercial paper, certificates of deposit, corporate notes, and other private instruments.

Source: Fidelity, iMoneyNet.

EXHIBIT 2: Summary of SEC Model A2 results (for various portfolio compositions) showing a dramatic decline in probability of breaking the buck after the 2010 Reforms.

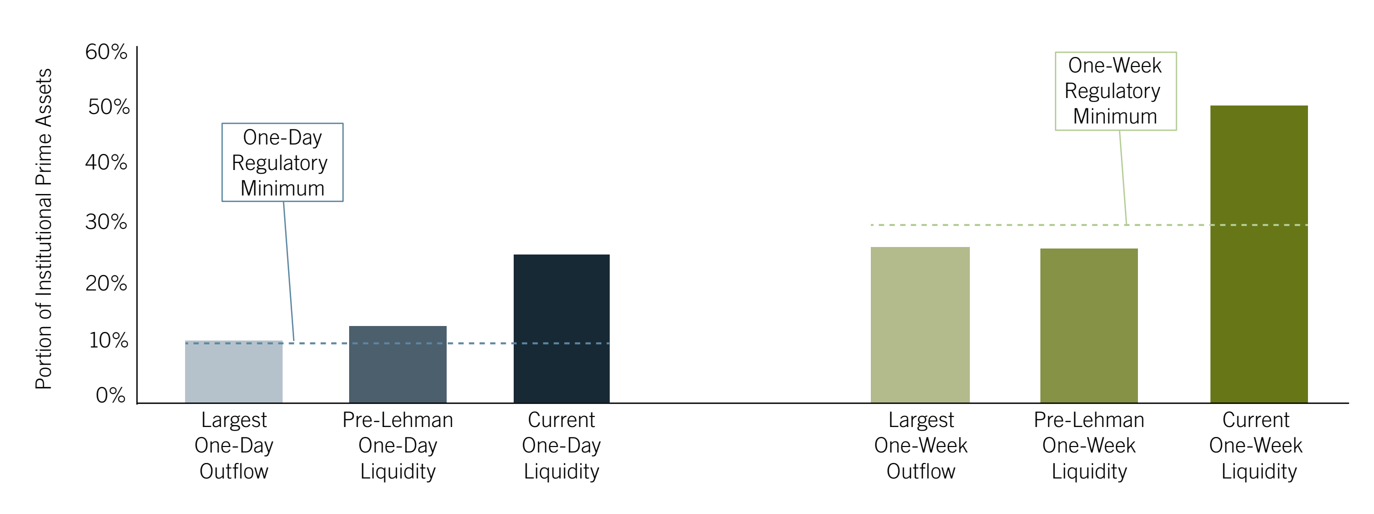
Proportion of Portfolio Invested in Treasury Securities	Probability of NAV < $0.9950	
	WAM = 90 Days	WAM = 60 Days
100%	0.00%	0.00%
50%	0.00%	0.00%
0%	0.92%	0.18%

Source: SEC Study.

Although more time will likely reveal additional data about the full risk-reducing impact of the 2010 Reforms, a significant market test of the 2010 Reforms occurred in Summer 2011 with the Eurozone debt crisis and the U.S. debt ceiling impasse. The SEC Study acknowledges that the 2010 Reforms were at least in part responsible for the robust performance exhibited by MMFs during this volatile period:

- The study suggests that, because the 2010 Reforms required MMFs to hold more liquid assets, MMFs had greater resources to redeem shares than they did in 2008, giving rise to more orderly redemption activity.
- The study also states, however, that the events of mid-2011 were slow-moving compared to the events in Fall 2008, and that this slower pace helped to maintain orderly redemptions. Based on numerous discussions with fund customers, though, Fidelity believes that the slower pace of the 2011 events was strongly tied to the transparency of MMFs required by the 2010 Reforms. During mid-2011, market participants were concerned that the prospect of default by a peripheral Eurozone country could spark financial contagion throughout Europe. MMF investors, in particular, were able to view detailed fund holdings frequently to inform their decisions about whether or when to redeem.[3] In contrast, the lack of transparency into fund holdings in 2008 fed investor uncertainty and anxiety, and likely led to more abrupt redemption activity.

EXHIBIT 3: Summary of key one-day liquidity metrics (blue bars on left) and one-week liquidity metrics (green bars on right) for institutional prime MMFs, including pre-Lehman and current industry-average liquidity levels.



Source: iMoneyNet, SEC Rule 2a-7, SEC Study.
Largest one-day and one-week outflows were calculated using institutional prime asset data from the period January 1, 2005–November 30, 2012. Pre-Lehman one-day liquidity was estimated as of August 31, 2008 by summing average fund holdings of Treasury securities, repurchase agreements, and time deposits. Pre-Lehman one-week liquidity was estimated as of August 31, 2008 by summing average fund holdings of Treasury securities and instruments maturing in 7 days or less.

The SEC Study shows that most types of MMFs were not subject to large, abrupt redemptions during the financial crisis.

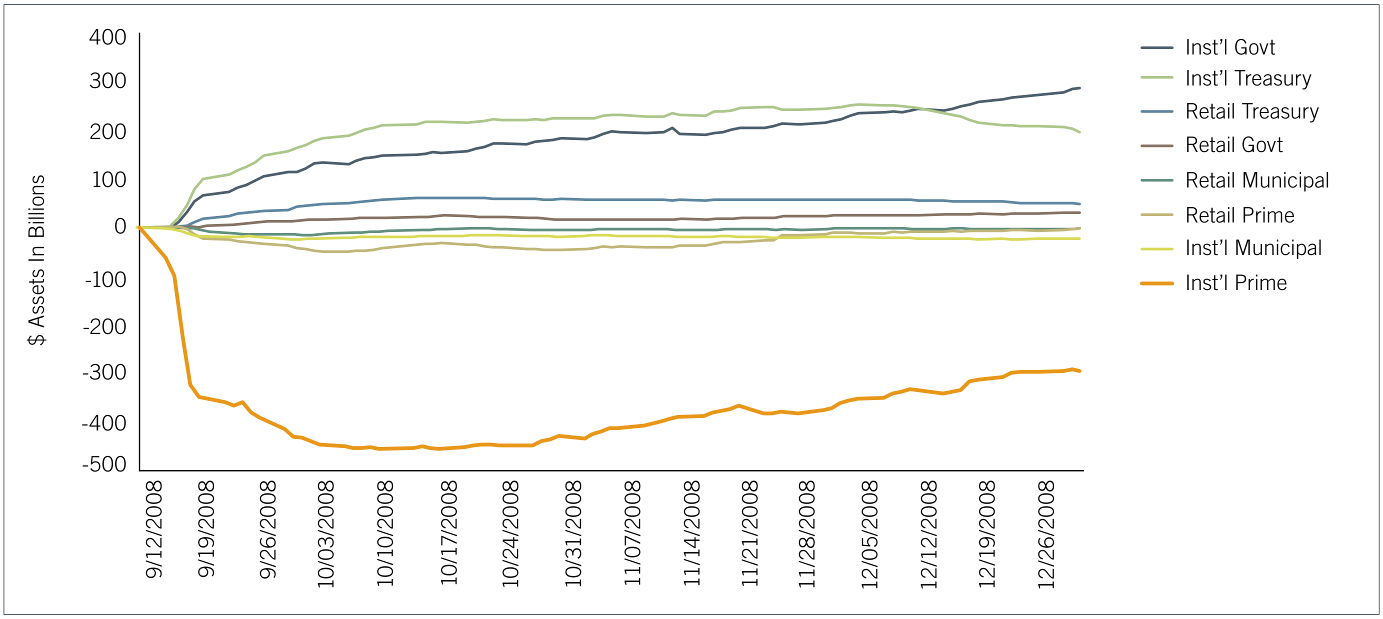
The SEC Study appropriately recognizes that not all MMFs have performed similarly during times of financial stress.

These behavioral discrepancies among MMFs arise simply because different MMFs are exposed to different risks. A major source of the disparity in risk levels among MMFs is that they hold different types of assets, as summarized in Exhibit 1. However, the risk levels can become even more disparate when the MMFs are held by different types of investors, since share subscription and redemption patterns are strongly dependent on shareholder composition. Within each of the four major MMF categories shown in Exhibit 1, industry participants and observers routinely distinguish between two important sub-categories of funds, namely "institutional" funds (those funds with shareholders which are primarily corporations, governments, and intermediaries) and "retail" funds (those funds with shareholders who are primarily individuals). This distinction has been made not only to acknowledge structural differences in business models required to service retail and institutional investors, but also to facilitate performance comparisons among funds having similar assets and shareholder composition.

The distinction of institutional versus retail within each of the four major MMF categories creates a total of eight MMF types, and each type of MMF is exposed to a unique set of market and shareholder risks. Much can be learned about the nature and degree of risk exposures for these MMFs by observing how they react during market crises. The SEC Study reveals important differences in MMF exposures to redemption risk by examining the magnitude and direction of shareholder flows across the spectrum of available MMF types following the Lehman bankruptcy. Exhibit 4 reinforces this point by using the same industry asset data that was used in the SEC Study, but by presenting the data in a slightly different format.

Exhibit 4 depicts the changes in assets that occurred across all eight types of MMFs during fall 2008. The exhibit makes clear (particularly through the set of curves clustered in the middle of the graph) that retail MMFs of all types, as well as institutional municipal MMFs, experienced relatively modest flows after the Lehman bankruptcy. On the other hand, institutional Treasury and institutional government MMFs experienced large inflows as institutional shareholders sought investments of the highest possible quality, liquidity, and transparency during that period of unprecedented market instability. These inflows were received at nearly the same time that institutional prime funds were experiencing large and sudden redemptions—far greater than those experienced in any other type of MMF.

EXHIBIT 4: Aggregate industry asset changes in eight major MMF categories between the time of the Lehman bankruptcy and the end of 2008.



Source: iMoneyNet.

The SEC Study highlights that certain "institutional" funds have performed differently than "retail" funds; yet there is no regulatory classification of funds based on shareholder type or composition.

As mentioned above, data in the SEC Study suggest that institutional and retail MMFs exhibit different redemption patterns in times of market stress. Now that the SEC has analyzed and identified these inherent differences in shareholder behavior, it has created an opportunity to tailor any future reform appropriately. Currently, however, there is no regulatory classification of funds as institutional or retail. Today, MMF advisors self-classify funds—i.e., MMF managers voluntarily report to an industry vendor whether a particular fund is retail or institutional. Therefore, an important step toward creating properly tailored reform is to put forth formal criteria that distinguish between these two fund types. We encourage the SEC to analyze this issue further and to work toward a distinction between retail and institutional MMFs, as it will be helpful in considering appropriately tailored reform based on the available empirical evidence.

Retail and institutional MMFs exhibit different redemption patterns not only because of fundamental differences in the nature of their shareholders, but also because these two shareholder populations differ greatly in the ways that they use MMFs. For example, many institutional shareholders are corporations, and they use MMFs as a liquidity management vehicle for their operating cash to meet short-term business needs. Institutional MMFs therefore tend to have concentrated shareholder bases, and redemption activity in these funds tends to be comparatively more volatile. On the other hand, most retail shareholders are individuals, and they use MMFs primarily as a trade settlement vehicle within a brokerage account or as a conservative component of a balanced investment portfolio (such as within a 401(k) account). Retail MMFs therefore tend to be much less concentrated than are institutional MMFs, and redemption activity in these funds is less volatile.[4]

Generally, an institutional fund can be distinguished from a retail fund using one or more unique identifying characteristics (see Exhibit 5). A regulatory definition need not, however, be focused on specific prospectus parameters (e.g., minimum initial investment) or behavioral characteristics (e.g., volatility of flows) that have historically been associated with either institutional or retail funds. In fact, the definition ultimately need not identify funds with the labels "retail" and "institutional," as such labels could create some confusion or dispute in certain instances. Rather, a regulatory definition could focus on a key feature of a fund that could make the fund susceptible to large, abrupt redemptions, such as shareholder concentration, regardless of whether underlying shareholders are individuals or institutions. For example, MMFs might ultimately be categorized formally as either "concentrated" or "non-concentrated."

EXHIBIT 5: List of key characteristics that distinguish retail MMFs from institutional MMFs, including the practical and effective discriminating feature of shareholder concentration.

Characteristic	Retail Funds	Institutional Funds
Typical shareholders	Individuals	Businesses, governments
Shareholder identification	Social Security Number (SSN)	Tax Identification Number (TIN)
Shareholder concentration	**Low (e.g., Top 20 < 15% assets)**	**High (e.g., Top 20 > 15% assets)**
Minimum account balance	Low (e.g., $2,500)	High (e.g., $10,000,000)
Settlement convention	Next day	Same day
Largest 1-day outflow	3.0%	10.6%
Largest 3-day outflow	3.2%	20.7%
Largest 5-day outflow	4.0%	26.3%
4-week post-Lehman outflow	$41 billion	$453 billion

Source: Fidelity, iMoneyNet.
Largest 1-day, 3-day, and 5-day outflows were calculated using retail prime and institutional asset data from the period January 1, 2005–November 30, 2012.
4-week post-Lehman outflows were calculated using retail prime and institutional prime asset data from the period September 12, 2008–October 10, 2008.

If, based on findings from its study, the SEC determines that further reform is necessary, then such reform should be narrowly tailored, so as to minimize disruption to short-term markets and lessen adverse impacts on long-term economic activity.

The SEC Study considers the consequences of possible future regulation that might broadly and fundamentally restructure MMFs, leading investors to shun MMFs and to seek alternative investment vehicles for their cash.

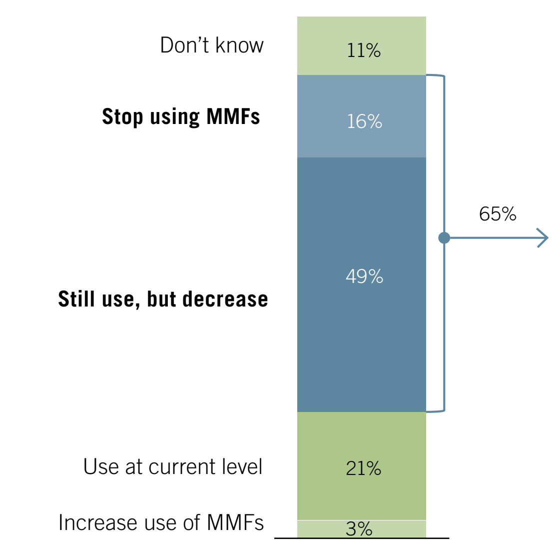
The SEC Study suggests that, if future regulation reduces the widespread appeal of MMFs, institutional investors might begin investing directly in short-term securities as a substitute for investing in MMFs, and that they would therefore replace the funding that MMFs typically provide in the short-term markets. However, Fidelity survey data (shown in Exhibit 6) indicate to the contrary that nearly 60% of institutional investors who leave MMFs will use bank deposit products as their primary alternative.

Banks are unlikely to invest the cash from any new deposits in the same short-term instruments as those purchased by MMFs, however, as banks have historically preferred instead to invest in longer-term assets. Therefore, a large shift by institutional investors out of MMFs and into banks would significantly reduce demand for short-term instruments that have long been a vital part of an optimal funding mix for corporations, governments, municipalities, and financial institutions. These institutions may be able to find alternatives to replace their short-term financing, but their alternatives will likely carry much higher costs than does their current funding through MMFs, because providers of the alternatives are not as efficient as MMFs when intermediating between investors and borrowers. A shift of assets out of MMFs and into banks could therefore ultimately have a significant negative impact on economic activity.[5]

Moreover, if current MMF investors pull their cash out of MMFs but do not use bank deposit products as a replacement, they might ultimately choose to invest in products that are largely unregulated and that are much less transparent than MMFs. The potential for even a modest shift of assets out of MMFs and into opaque, unregulated markets should be of concern to all market participants and regulators, as such a shift would likely be accompanied by an increase in systemic risk.

The SEC Study further states that non-financial issuers and municipalities would be largely unaffected by a decline in

EXHIBIT 6: Results of Fidelity survey indicating how a regulatory change from a stable NAV to a floating NAV will affect use of MMFs by intermediaries.



Investments They Would Use Instead of MMFs (among those who would decrease/stop using)	Would Use	Primary Type
Treasury Securities	89%	6%
Bank MMDA	84%	49%
Certificates of Deposit	80%	-
Commercial Paper	78%	16%
Time Deposits	76%	9%
Non 2a-7 funds with 1-yr or shorter WAM	27%	-
Offshore Funds	20%	-
Separately Managed Accounts	20%	-
Cash	4%	-

Source: Fidelity Institutional Client Survey—July/August 2011.
"Would Use" column shows results when respondents could select multiple alternative investment types. "Primary Type" column shows results when respondents could select only one investment type. 10% of respondents did not indicate a primary type.

demand for their short-term debt. However, Fidelity believes that the overall costs of such a shift in demand could be significant, in part because the impact to short-term debt markets is likely to be transmitted indirectly to the long-term debt markets, though the precise magnitude and mechanisms of transmission are difficult to predict. Moreover, if issuers lose short-term funding capacity, they also lose an important tool for creating an optimal, dynamic capital structure through economic cycles, and they will therefore ultimately incur a loss in long-term economic efficiency.

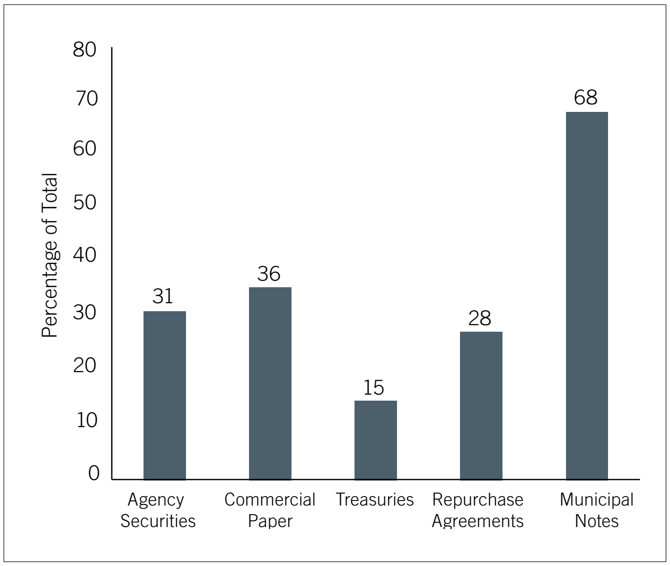
The SEC Study recognizes that the supply of short-term securities has decreased over the past five years, but implies that this downward trend is a secular (or permanent) one, and that, as a result, the economic impact of a future contraction in the MMF sector would be small. The study fails to acknowledge several consequences of the current economic environment that suggest to the contrary that the decline in supply of short-term securities is temporary:

- Many corporations are currently holding historically high levels of cash, dampening their need for short-term funding.
- Recent weak economic growth has reduced the demand for short-term financing that would typically be used for working capital, seasonal needs, and other temporary needs. When the economy returns to a more robust state, the demand for short-term funding is expected to increase.
- The current low-rate environment has been ideal for issuers to extend the maturity of their debt issuance and reduce their use of short-term debt accordingly. As interest rates once again start to increase, issuers' preference for long-term financing relative to short-term debt will likely shift back to historic norms, resulting in a restored demand for short-term financing.

For the municipal market, the impact of overly broad MMF reform could be especially acute, because state and local governments and certain non-profit entities (such as hospitals and universities) rely heavily on municipal MMFs to help meet their normal operating cash flow needs and to help reduce the long-term costs of their debt obligations.

Many state and local governments receive revenue during the year at regular intervals, but in widely varying and often unpredictable amounts (e.g., annual income tax receipts or quarterly real estate tax receipts). These governments are also obligated to make payments during the year (e.g., employee salaries and vendor invoices), but the times and amounts of these cash payments are not necessarily well matched to the times and amounts of the cash receipts. Municipal MMFs play a critical role in solving this cash flow challenge because they

EXHIBIT 7: Proportion of outstanding debt in various short-term markets collectively held by MMFs.



Source: Bloomberg, CraneData, Federal Reserve Bank of New York, U.S. Treasury Department, SIFMA.
Short-term securities include money market instruments as well as longer-term securities with a remaining maturity of 1 year or less. Agency securities include debt issued by Fannie Mae, Freddie Mac and the Federal Home Loan Banks. Repurchase agreements include tri-party transactions. Data as of September 30, 2012.

purchase more than two-thirds of the short-term notes issued by municipal entities, thereby enabling these entities to have adequate cash on hand throughout the year.

The importance of MMFs in the overall municipal debt market is sometimes masked by cyclical market conditions, as issuer preferences shift temporarily away from short-term debt and toward long-term debt. Such a shift has occurred in recent years as long-term municipal interest rates have declined to historically low levels, and as municipal issuers have accordingly increased their use of long-term debt to lock in cost savings. However, when market conditions shift back and interest rates begin to rise, issuers will once again prefer to issue short-term debt, and any permanent loss of demand for short-term debt would also have an adverse impact on financing costs faced by municipal borrowers.

Exhibit 7 shows the proportion of funding provided by MMFs to several distinct segments of the short-term markets. While MMFs are active funders in all sectors shown, the municipal market stands out from the rest. If MMFs were no longer available as significant purchasers of short-term municipal debt, state and local governments and non-profit entities would face significantly higher costs of financing. The magnitude of the cost increase would be driven by the difference between short-term and long-term municipal interest rates, which varies over time but is currently approximately 330 basis points (3.30 percentage points). In other words, if municipal MMFs are no longer significant buyers of short-term municipal notes, then municipal issuers will have to sell longer-term bonds at an annual cost that is 3.3% greater than that of their short-term notes. Fidelity has calculated the resulting increase in funding cost to be in excess of $10 billion per year, which would be a significant financial burden on a municipal sector currently struggling through a period of weak economic growth and low revenue growth.

If further MMF reform is deemed necessary, the SEC can choose to optimize the design of the reform so that it is properly balanced—i.e., so that it will reduce any risks that might remain in the MMF industry even after the 2010 Reforms and, simultaneously, so that it will minimize the collective impact of possible adverse outcomes for both issuers and investors in short-term markets. Fidelity believes that if regulators determine that future reform is necessary, it should be narrow in scope so that it can target and reduce residual risk in specific segments of the MMF industry highlighted by the SEC Study.

Endnotes

[1] "Response to Questions Posed by Commissioners Aguilar, Paredes, and Gallagher," Division of Risk, Strategy, and Financial Innovation, U.S. Securities and Exchange Commission, November 30, 2012, available at http://www.sec.gov/news/studies/2012/money-market-funds-memo-2012.pdf.

[2] Proposed Recommendations Regarding Money Market Mutual Fund Reform, Federal Register, volume 77, page 69455 (Nov. 19, 2012), available at http://www.gpo.gov/fdsys/pkg/FR-2012-11-19/pdf/2012-28041.pdf.

[3] In fact, the SEC Study provides evidence of informed redemption activity during the Eurozone debt crisis by pointing out that investor redemptions from MMFs with exposure to Eurozone banks were greater than redemptions from MMFs without such exposure, and, furthermore, that redemptions were concentrated in funds that had exposure to Eurozone banks through unsecured lending.

[4] A complication in distinguishing between these two funds types arises because many funds are not purely either retail or institutional, but rather are blends of these two types created by commingling retail and institutional share classes within the same fund.

[5] Today, banks have placed a significant amount of cash on deposit at the Federal Reserve Bank as excess reserves, effectively removing the cash from the markets. As such, any cash that is pulled out of MMFs and is deposited in banks may be removed from the market altogether, putting additional downward pressure on economic growth.