April 12, 2021

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-01-21 Release
No. IC-34188
Potential Money Market Reform Measures in PWG Report of December 2020

Dear Ms. Countryman:

My name is James Setterlund, I am student at George Washington University pursuing a Master of Public Policy and Master of Business Administration degrees. I am providing my comments as a student of GWU's Trachtenberg School of Public Policy and Public Administration, class PPPA 6055 – Regulatory Comment Clinic. The views expressed in the comment are solely my views as a student, and do not represent the views in my professional capacity as a Federal Affairs Manager with Americans for Tax Reform, or as the Executive Director of the Shareholder Advocacy Forum.

On February 10, 2021, the Commission requested comments on potential reforms to money market funds ("MMFs)"as it relates to the December 2020 *Report* ("Report") *of the President's Working Group on Financial Markets – Overview of Recent Events and Potential Reform Options for Money Market Funds*.[1] The solicitation of comments for proposed reforms from the public and industry participants, in conjunction with the potential reforms identified by the Commission in the Report, outline three broad areas for consideration of reform and to measure the effectiveness of previous 2014 reforms that became effective on October 14, 2016[2]:

1. Addressing money market funds' structural vulnerabilities that can contribute to stress in short-term funding markets;
2. improving the resilience and functioning of short-term funding markets; and
3. reducing the likelihood that official sector interventions will be needed to prevent or halt future money market fund runs, or to address stresses in short-term funding markets more generally.

I commend the SEC for its efforts to observe, study and propose recommendations for money market funds reforms based on market events in March 2020, as the COVID-19 illness caused many businesses to halt their operations temporarily or permanently. The request for comments

[1] US Securities and Exchange Commission, *Report of the President's Working Group on Financial Markets – Overview of Recent Events and Potential Reform Options for Money Market Funds*, December 2020, https://www.sec.gov/rules/other/2021/ic-34188.pdf

[2] US Federal Register, Aug. 14, 2014, *17 CFR Parts 230, 239, 270, 274 and 279 [Release No. 33–9616, IA–3879; IC–31166; FR–84; File No. S7–03–13] RIN 3235–AK61 Money Market Fund Reform; Amendments to Form PF*, https://www.govinfo.gov/content/pkg/FR-2014-08-14/pdf/2014-17747.pdf

of potential reforms *before* issuing an Advance Notice of Proposed Rulemaking demonstrates great restraint by the Commission despite your authority to regulate MMFs established under §270.2a-7 of the Investment Company Act of 1940.[3] The request for comments represents a collaborative undertaking between members of the President's Working Group, SEC staff, public commenters and industry participants. However, I am concerned with several aspects of the Report and the proposed reforms offered, for which I will provide comments for the Commission and its staff to consider. I appreciate the opportunity to provide comments and urge the Commission to continue examining the market impact further regulation may cause before moving forward with any notice of proposed rulemaking.

Money Market Funds and SEC Regulation.

Money market mutual funds were created in 1971 when Bruce Bent and Henry Brown established the Reserve Fund to combat high inflation rates of the 1960s. Prior to the creation of the first MMF, the Federal Reserve established Regulation Q, pursuant to the Banking Act of 1933 which prohibited banks from paying more than 5% interest on customer's checking accounts. When inflation rates rose above 5% in 1969, customers essentially lost money on their deposits. Although Regulation Q was repealed in 1986, MMFs allowed customers to invest in short-term debt-instruments that are redeemable on demand.[4]

There are two broad types of MMFs: taxable and tax-exempt funds. Taxable MMFs include debt-based financial instruments such as bankers' acceptances, certificates of deposit, commercial paper and repurchase agreements. Prime MMFs invest in a variety of assets, including commercial paper from corporations, US Treasury securities (or securities offered from government-sponsored enterprises), CDs and BAs. Repurchase agreement MMFs retain 99.5% of their total assets in cash, government securities, and collateralized debt in the form of cash and Treasury securities. US Treasury and government MMFs invest in Treasury-debt, such as Treasury notes, bonds and bills.[5] [6]

Tax-exempt funds can include MMFs that are excluded from federal taxes, as well as state and local taxes by investing in municipal debt. Retail MMFs are created by asset managers and sold by the same managers or third parties as annuities or through employee-sponsored retirement plans. Institutional MMFs can be sold to other institutional investors themselves or on behalf of clients, high-net worth individuals, and through employee sponsored retirement plans.[7] As of

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[3] US Electronic Code of Federal Regulations, [as of] March 31, 2021, Title 17: Commodity and Securities Exchanges; Part 270-Rules and Regulations, Investment Company Act of 1940, https://www.ecfr.gov/cgi-bin/text-idx?SID=986b3a7de26c61b7a22ac34ac3d6bdd9&mc=true&node=se17.4.270_12a_67&rgn=div8

[4] Nelson Capital Management, "A Brief History if Money Market Funds,' June 12, 2018, https://www.nelsoncapitalmgmt.com/2018/06/12/brief-history-money-market-funds/#:~:text=The%20late%201960s%20saw%20rising,mutual%20fund%2C%20the%20Reserve%20Fund.

[5] Segal, Troy, Investopedia, "Money Market Funds," updated March 21, 2021, https://www.investopedia.com/terms/m/money-marketfund.asp

[6] Investment Company Institute, "Money Market Fund Classification Definitions for the Weekly Asset Collection," https://www.ici.org/research/stats/mmf/iob_definitions_weekly_mmkt

[7] Ibid., ICI, "Money Market Fund Classification Definitions for the Weekly Asset Collection"

March 2021, there is $4.497 trillion in MMF, combining tax-exempt, government and prime funds.[8]

MMFs differentiate themselves from traditional mutual funds by maintaining a stable net asset value, or stable share price of $1.00. For institutional and retail Treasury funds, US government funds, and retail prime and tax-exempt MMFs, investors can retrieve on demand any capital they provided to the fund, plus the investment yield earned during the lifetime of the investment.[9] As noted in the Report, if the stable net asset value ("NAV") share price falls 50 basis points below $1.00, it is known as "breaking the buck," and may require the fund's managers to adjust the share price.[10]

Under the SEC's 2014 reforms, institutional prime and institutional tax-exempt MMFs began pricing their shares using a floating net asset value, which accounts for fluctuation changes daily in the fund instead of a stable $1.00 share price. The reforms also require these institutional MMFs to "hold at least 10 percent of its total assets in daily liquid assets ("DLA") and at least 30 percent of its total assets in weekly liquid assets ("WLA")".[11] WLA's typically include "securities that mature within seven days or are subject to a demand feature that is exercisable and payable within five business days, cash, direct obligations of the U.S. government, and government agency securities with remaining maturities of 60 days or less."[12]

Gates and fees established under the 2014 reforms also differentiates retail and institutional Treasury and US government MMFs from retrial/institutional prime and retail/institutional tax-exempt MMFs. In the case of retrial/institutional prime and retail/institutional tax-exempt MMFs, fund managers are empowered to impose redemption fees of up 2% to discourage large-scale redemptions during times of market stress.[13] Additionally, if an institutional prime and tax-exempt MMF falls below its 30% WLA, fund managers may also impose gates that "temporarily suspend redemptions for a period of up to 10 business days."[14] The reforms allow fund managers to use these tools at their discretion and to act in the best interests of shareholders. However, imposing a fee and gate could create reputational risk from investors skeptical of the funds overall liquidity and "the imposition of a fee or gate by one fund, as well as the perception that a fee or gate would be imposed by one fund, could spark widespread redemptions from other funds, leading to further stresses in the underlying markets."[15]

<u>COVID-19, March & April 2020, and the Money Market Mutual Fund Liquidity Facility</u>

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[8] ICI, "Summary: Money Market Fund Assets Data", April 1, 2021, https://docs.google.com/viewer?url=https%3A%2F%2Fwww.ici.org%2Finfo%2Fmm_summary_data_2021.xls

[9] US SEC, "*FACT SHEET* - Reforming Money Market Funds - SEC Open Meeting," June 5, 2013, https://www.sec.gov/opa/Article/press-release-2013-101---related-materials html#:~:text=Background,than%20interest%2Dbearing%20bank%20accounts.

[10] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 6

[11] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 7

[12] Wells Fargo Asset Management, "Fees and gates: A tool intended to protect money market fund shareholders," page 2, https://www.wellsfargofunds.com/assets/pdf/fmg/icm/reform-fees-and-gates.pdf

[13] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 8

[14] Ibid., Wells Fargo Asset Management, page 2

[15] Ibid., *Report of the President's Working Group on Financial Markets*, page 15

It is important to note that the redemption rates of March and April 2020 were caused by a global healthcare emergency and not because of a financial crisis, like the world experienced in 2008, when markets were over-leveraged. Investors and markets responding to the COVID-19 healthcare emergency induced a rapid flight-to-safety from multiple investor classes and assets into government MMFs.[16] According to the Investment Company Institute, government MMFs saw an inflow "$834 billion in March, with the great majority occurring in the second half of the month. At the same time, institutional prime money market funds saw outflows, which totaled $91 billion in March. In contrast, retail prime and tax-exempt money market funds saw significantly more muted outflows of $48 billion and $6 billion, respectively."[17]

On March 18, 2020, the Federal Reserve Board authorized the Federal Reserve Bank of Boston to create and operate the Money Market Mutual Fund Liquidity Facility ("MMLF"), which provided $51,090,933,336 in loans as of April 23, 2020.[18] The loans were made to "U.S. depository institutions and bank holding companies to finance their purchases of certain types of assets from money market mutual funds under certain conditions."[19] Under the Facility's terms, these loans were "non-recourse loans to eligible borrowers to purchase assets from money market mutual funds. Assets purchased from money market mutual funds are posted as collateral to the Federal Reserve Bank of Boston."[20] After the Facility became operational on March 23, MMF markets stabilized relatively quickly.[21]

<u>Need for Further Regulation?</u>

When the SEC undertook its 2014 reforms, fees and gates created an immediate impact on the market as investors could understandably be concerned about being able to withdraw their capital in a timely manner without being met with a fee as high as 2% or a 10-day lock-up period. As the Investment Company Institute notes in their report on MMFs during the COVID-19 healthcare emergency, there was already a shift away from prime institutional MMF into government MMFs (Figure 1) shortly after the 2014 reforms went into effect in 2016.[22]

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[16] ICI, *Taxable Money Market Fund Portfolio Data; March 2020*, April 16, 2020, https://docs.google.com/viewer?url=https%3A%2F%2Fwww.ici.org%2Finfo%2Fmmf_summary_200331.xls

[17] ICI, *Report of the COVID-19 Market Impact Working Group*, "Experiences of the US Money Market Funds During the COVID-19 Crisis," Nov. 2020, page 12, https://www.sec.gov/comments/credit-market-interconnectedness/cll10-8026117-225527.pdf

[18] US Federal Reserve, *Periodic Reports: Update on Outstanding Lending Facilities Authorized by the Board Under Section 13(3) of the Federal Reserve Act April 23, 2020*, page 3, https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-03-11-21.pdf#page=3

[19] US Federal Reserve, *Report on Certain L Lending Facilities Authorized by the Board Under Section 13(3) of the Federal Reserve Act December*, *3*, *2020*, page 2, https://www.federalreserve.gov/monetarypolicy/files/pdcf-mmlf-cpff-ppplf-12-04-2020.pdf#page=2

[20] US Federal Register, Oct. 28, 2020, *DEPARTMENT OF TREASURY Office of the Comptroller of the Currency 12 CFR Parts 3 and 50 [Docket ID OCC–2020–0017] RIN 1557–AE89; 1557–AE90; 1557–AE92] FEDERAL RESERVE SYSTEM 12 CFR Parts 217 and 249 [Docket Nos. R–1711; 1712; and 1717] RIN 7100–AF85; 7100–AF86: 7100–AF90 FEDERAL DEPOSIT INSURANCE CORPORATION 12 CFR Parts 324 and 329 RIN 3064–AF41; 3064–AF49; 3064–AF51 Treatment of Certain Emergency Facilities in the Regulatory Capital Rule and the Liquidity Coverage Ratio Rule*, *https://www.govinfo.gov/content/pkg/FR-2020-10-28/pdf/2020-21894.pdf*

[21] Federal Reserve, Clouse, James A., *Minutes of the Federal Open Market Committee March 16–17, 2021*, March 16-17, 2021, https://www federalreserve.gov/monetarypolicy/files/fomcminutes20210317.pdf

[22] Ibid., ICI, *Report of the COVID-19 Market Impact Working Group*, page 29,

In regards to fees and gates, there are two important aspects noted in the Working Group Report that demonstrates how prior reforms have worked in some cases and further regulation may not be necessary.

First, the Report explains that the March 2020 government intervention is the second time within a decade and a half that prime and tax-exempt MMFs have received government support. In 2008, the $62 billion dollar Reserve Primary Fund "broke the buck" on September 16, 2008, the day after Lehman Brothers filed for bankruptcy.[23] Investors were concerned with the decrease in value of the Lehman Brothers commercial paper held in the Reserve Primary Fund and when the Fund's NAV fell below $1.00 per share, it prompted a large redemption move into government securities.[24] Importantly, the Report notes that in March 2020 "some retail tax-exempt MMFs also had declining market-based prices" and "although none of these funds broke the buck, one fund reported a market-based price below $0.9975,"[25] only 25 basis points below its stable NAV target.

The Report also examines the potential benefits and risks of shifting retail prime and tax-exempt MMFs away from a stable NAV to a floating NAV that institutional prime and tax-exempt MMFs are subject to. A benefit noted by the Report is a floating NAV would prevent prime and tax-exempt MMFs from "breaking the buck."[26] The Report briefly touches on the risk of instituting a floating NAV on these products like institutional prime and tax-exempt MMFs have as a floating NAV would not have prevented rapid redemptions from investors in March 2020. The Report also indicates a floating NAV on retail prime and tax-exempt for MMFs could further shrink the demand for these products. As I noted earlier, after the 2014 reforms became effective in 2016, the market for these investments shrank and I agree with the Report that further regulatory intervention of retail prime and tax-exempt MMFs could decrease the market. I encourage the SEC to further analyze and survey the market before instituting a floating NAV on retail prime and tax-exempt MMFs.

Second, only one institutional prime fund's WLA fell below 30%: "Although one institutional prime fund (with assets that declined from $3.8 billion at the end of February to $1.5 billion at the end of March) had WLAs below the 30 percent minimum, it did not impose a fee or gate in March."[27] This means that the fund's managers perhaps were able to purchase additional securities to increase the liquidity of the fund and move back above the 30% threshold, or they carefully weighed the interests of the shareholders and the harm fees or a gate could create from a lack of investor trust in the fund. The SEC's Report notes that removing the tie between fees and gates and the WLA level of 30% could exacerbate redemption rates during times of economic stress which I agree could be harmful.[28]

[23] Wiggins, Rosalind Z., Journal of Financial Crises, Vol., 2 Issue 3, *The Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility*, May 9, 2017, revised: October 10, 2020, page 6, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3717258
[24] Ibid. Wiggins, Rosalind Z., page 6,
[25] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 15
[26] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 28
[27] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 15
[28] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 23

Another possible reform of gates examined in the Report is amending the conditions in which gates may be imposed by requiring fund managers to obtain permission from the SEC before imposing gates. I am concerned that this process could be delayed in future market-stressing events if SEC staff are overwhelmed or slow to react with multiple MMFs investors seeking redemptions and fund managers needing SEC staff approval to grant the redemptions. Additionally, the fund manager has a fiduciary duty to act in the best interests of fund participants and greatly understands their client's investment goals compared to a government regulator.

In terms of the SEC being slow to react in times of market stressing events, regulator's delayed permission to impose gates could be exacerbated during a time in which government appropriations have lapsed. For example, in December 2018 when there was a likelihood the government would shut down, the Commission adopted a contingency plan that allowed the Commission to remain operational with limited staff in key departments.[29] If a market-stressing event were to take place during a lapse in appropriations, the Commission could be delayed in responding to fund manager's requests while reviewing other market movements and calling additional staff back to the office.

<u>Concern for efforts to Introduce MMF Insurance or Capital Requirements</u>

The Report also explores the possibility of introducing "capital buffer requirements" as a tool to help absorb losses and decrease investors' incentive to quickly redeem their capital during times of market stress.[30] As a potential benefit, the Report indicates that a capital buffer could be provided by the fund's sponsor, thereby incentivizing management to mitigate risks as much as possible and protect their capital from being used to absorb losses.[31] The Report briefly examines the possibility of requiring MMFs to participate in a liquidity exchange bank program to serve as a back-stop or insurance provider similar to deposit insurance provided by the Federal Deposit Insurance Corporation.[32] While not mentioned in the Report, I anticipate additional commentors[33] [34] and analysts will be supportive of an industry-run emergency insurance back-stop.

Under this reform proposed in the Report and supported by several commentors, an insurance backstop will be helpful to reduce moral hazard by MMF managers and investors from remaining reliant on future Federal Reserve facilities. But an insurance marketplace could instead shrink the market for retail/institutional prime and retail/institutional tax-exempt MMFs and shift the market toward institutional and retail Treasury US government MMFs.

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[29] SEC, *Operations Plan Under a Lapse in Appropriations and Government Shutdown*, Dec. 2018, https://www.sec.gov/files/sec-plan-of-operations-during-lapse-in-appropriations-2018.pdf
[30] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 29
[31] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 30
[32] Ibid., SEC, *Report of the President's Working Group on Financial Markets*, page 31
[33] Zaring, David, & William Birdthistle, "Comment Letter re: Money Market Funds," April 2, 2021, page 4, https://www.sec.gov/comments/s7-01-21/s70121-8587644-230907.pdf
[34] Hartley, Jon, "The Case For Prime Money Market Mutual Fund Liquidity Insurance," April, 1, 2021, https://www.sec.gov/comments/s7-01-21/s70121-8573523-230861.pdf

In 2008, and in response to the global financial crisis, the Federal Reserve used its power under Section 13(3) of the Federal Reserve Act to establish facilities like the ones created in March 2020. In particular, on September 19, 2008, the Federal Reserve created the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility ("AMLF"),[35] similar to the MMLF authorized on March 18, 2020.

> *Under Section 13(3) of the FRA—which permitted it to make loans to any individual, partnership, or corporation in "unusual and exigent circumstances" if the Fed determined that the entity was "unable to secure adequate credit accommodations from other banking institutions." Pursuant to Section 13(3), the Fed could authorize the Federal Reserve banks to make loans directly to broker-dealers and bank holding companies.*[36]

While Section 13(3) is used very infrequently, the Federal Reserve is seen as the lender of last resort, in which case they may offer a loan and accept collateral for the loan from financial institutions. To reduce the ability of the Federal Reserve to pick winners and losers amongst which financial institutions to assist in future market stressing events,[37] Congress permitted the Federal Reserve to establish lending facilities with a broad-based eligibility.[38] This eligibility includes non-financial institutions and helped the Federal Reserve establish the Main Street Lending Program during March 2020, and provided loans to small and medium businesses.[39] One way to quickly reduce moral hazard would be to reform Section 1101 of the Dodd-Frank Act and restore the Federal Reserve lending powers close to its previous authorizations of making loans directly to bank holding companies *only*, who then may extend credit to broker-dealers.

As MMFs were created to serve as short-term investments with typical redemption rates of $1.00 per share, investors are able to redeem their capital on a 1:1 ratio plus small dividends that may be earned after fees are to the paid to cover the costs of management's overhead. If insurance on MMFs were to be offered, I fear the costs associated with the additional overhead could reduce investors' returns on retail/institutional prime and retail/institutional tax-exempt MMFs and further shift the market toward institutional and retail Treasury US government MMFs. Alternatively, if an insurance market were created to back-stop losses on MMFs during times of economic stress, and if the fund managers were to exercise the option to use the insurance, it could adversely signal to the marketplace that *a* MMF or *multiple* MMFs are insolvent. This could in turn exacerbate a fire sale of redemptions similar to the Reserve Primary Fund when it broke the buck and "in the week following Lehman's bankruptcy, investors withdrew $230

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[35] Ibid. Wiggins, Rosalind Z., page 6
[36] Ibid. Wiggins, Rosalind Z., page 7
[37] American Banker's "Bankshot" podcast, John Heltman (Host) *interviewing* Kathryn Judge (Harvey J. Goldschmid Profess of Law), Episode 41, "Rightsizing the Fed's emergency lending powers," *beginning at* 13:45 minutes, April 1, 2021, https://www.listennotes.com/podcasts/bankshot/ep-41-rightsizing-the-feds-NDSE1Le4qU9/
[38] U.S. House, *Dodd-Frank Wall Street Reform and Consumer Protection Act*. H.R. 4173, 111th Cong., 1st sess, Introduced in House on Dec. 2, 2009. (P.L. 111-203), page 739 https://www.congress.gov/111/plaws/publ203/PLAW-111publ203.pdf
[39] US Federal Reserve, Policy Tools, *Main Street Lending Program*, https://www.federalreserve.gov/monetarypolicy/mainstreetlending htm

billion from MMMFs, $117 billion of this from prime MMMFs, as they sought out funds investing only in government securities."[40]

<u>Further Economic Analysis is Needed, and a Tailored Approach should be Emphasized</u>

With any regulatory reforms, it is important to understand which organizations or entities are going to bear the costs of the reforms. The Report provides ten relatively broad proposed reforms for commentors to consider when providing feedback to the Commission. However, the Report itself does not provide any sort of economic impact analysis of how much it may cost industry participants and consumers to comply with the reforms. If investors are to examine what the economic impact may cost, we must examine the 2014 reforms.

For example, to implement a fee and gate system, and the floating NAV system and programs, the SEC had the following calculation:

> *We estimated that a money market fund (or others in the distribution chain) would incur one-time systems modification costs that range from $1,100,000 to $2,200,000. We further estimated that the one-time costs for entities to communicate with shareholders about the liquidity fee or gate would range from $200,500 to $340,000. In addition, we estimated that the costs for a shareholder mailing would range between $1.00 and $3.00 per shareholder.*[41]
>
> *In sum, we estimated that the total range of onetime implementation costs to money market funds and others in the distribution chain would be approximately $1,430,000 to $2,790,000 per entity, with ongoing costs that range between 5% to 15% of these one-time costs.*[42]

While the costs are relatively low in comparison to the overall market, these estimates are outdated and account for the size of the MMF market when it was over $3 trillion in assets,[43] roughly 65% of the market share of current investments. These estimates could be used as a base for understanding the costs of reform associated with fees, gates and floating Nav's as it relates to half of the ten broad proposed reforms in the Report. But the costs for an insurance marketplace on a continuous basis instead of some of the "one-time" charges estimated in the 2014 reforms will be much higher to account for perhaps private sector risk of insuring the MMFs.

I am also concerned that future regulatory reforms could negatively impact some market participants more than others, particularly among non-bank financial institutions and bank holding companies. For example, in March of 2020, Goldman Sachs "spent nearly $1.9bn to shore up liquidity in two of its 'prime' money market funds after a rush of outflows, in the second case of a big bank seizing on new Fed measures to stave off a liquidity crunch in its funds. Regulatory filings updated on Monday show Goldman paid $1.5bn to buy securities from

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[40] Ibid. Wiggins, Rosalind Z., page 6
[41] Ibid., US Federal Register, *Money Market Fund Reform; Amendments to Form PF*, page 123
[42] Ibid., US Federal Register, *Money Market Fund Reform; Amendments to Form PF*, page 187
[43] Ibid., US Federal Register, *Money Market Fund Reform; Amendments to Form PF*, page 2

its Square Money Market Fund (SMMF)… and another $390m to buy assets from its Square Prime Obligations Fund (SPOF).”[44]

Goldman Sachs was able to provide liquidity quickly to the funds they own but non-financial institutions like hedge funds may find it more difficult to secure credit during times of market stress. Non-banks will have to rely on their bank partners for liquidity while competing directly with the banks themselves who also are attempting to strengthen their balance sheets as well. I am concerned that any regulatory reform approach that seeks a one-size-fits all approach may harm non-bank institutions who lack access to the Federal Reserve’s discount window during times of market stress. In turn, this approach could turn investors away from non-bank MMFs to institutional prime and tax-exempt MMFs.

Conclusion

I applaud the SEC for its work to protect investors and promote market efficiency, and I thank the Commission for the opportunity to provide feedback on the Working Group Report and its proposed regulatory reforms of MMFs.

If you have any questions or comments, please contact me at [redacted].

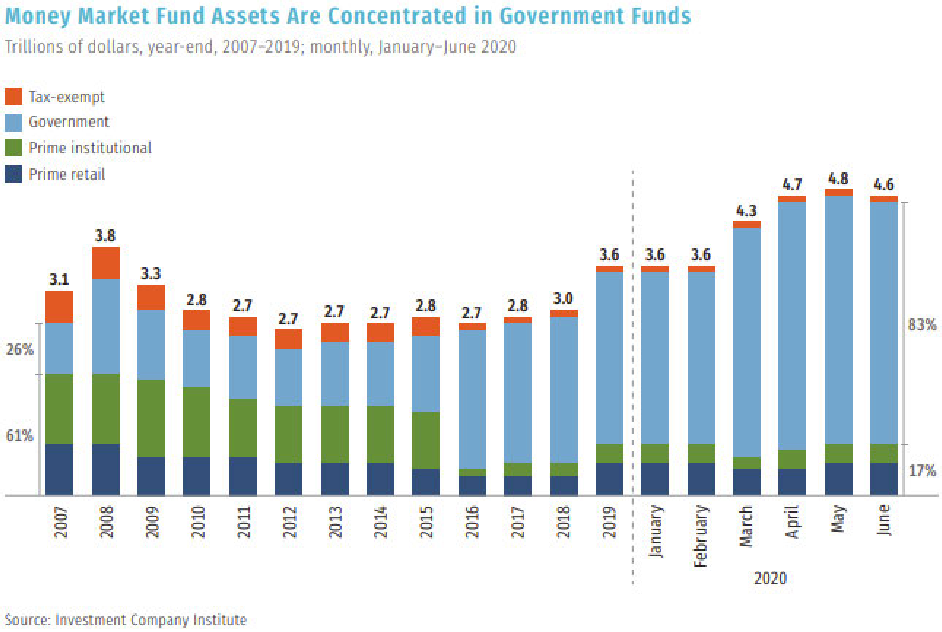
Sincerely,

James L Setterlund
George Washington University, Master of Public Policy, *Candidate*
George Washington University, Master of Business Administration, *Candidate*

[44] Noonan, Laura, Financial Times, “Goldman Sachs spends $1.9bn to shore up two money market funds,” March 23, 2020, https://www.ft.com/content/8876c700-6c81-11ea-89df-41bea055720b

Figures

Figure 1



Source: ICI, *Report of the COVID-19 Market Impact Working Group*, "Experiences of the US Money Market Funds During the COVID-19 Crisis," Nov. 2020, page 29, https://www.sec.gov/comments/credit-market-interconnectedness/cll10-8026117-225527.pdf