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

Re: File No. S7-01-21; December 2020 Report of the President's Working Group on Financial Markets: Overview of Recent Events and Potential Reform Options for Money Market Funds (the "PWG Report")

Dear Ms. Countryman:

T. Rowe Price is a global investment adviser serving a broad array of clients, from individual savers to large institutions and funds, and has assets under management of $1.5 trillion, including over $50 billion associated with our money market funds.[1] Our retail money market funds are used by investors for a variety of purposes, such as supporting near- and longer-term savings, serving as an emergency fund for unexpected expenses and life changes, providing a safe haven from volatile markets, and being a low-risk vehicle for preserving capital coupled with some return potential. In addition, our proprietary registered investment companies (which total over 170) as well as many of our external client accounts, hold shares of a T. Rowe Price money market fund to serve as an investment of excess cash in their portfolios.

It is undoubtedly worthwhile to study the unprecedented March 2020 events in the financial markets and assess whether the resiliency and strength of our markets can be improved. We also recognize the importance of money market funds to institutional and retail investors, and the role these funds play in the broader economy. Accordingly, we appreciate the efforts of the President's Working Group to identify policy changes for consideration and the opportunity afforded by the Securities and Exchange Commission to comment on those ideas with respect to money market funds. We also encourage policymakers to evaluate other segments of and participants in the short-term markets to determine if other areas should be adjusted to mitigate risks.

[1] All asset figures are as of February 28, 2021 and based on preliminary data.

We are writing to provide our perspectives on the de-linking of fees and gates, the distinction between institutional and retail money market funds, and the feasibility of swing pricing in different contexts. As discussed in more detail below:

- *We believe the ability of a money market fund to impose fees and gates should be de-linked from the 30% weekly liquid assets threshold;*
- *Beyond this de-linking, we do not believe further policy measures should be considered for retail money market funds; and*
- *While we do not support swing pricing for US money market mutual funds, we think the concept continues to warrant study for other US open-end mutual funds.*

The Tie Between Money Market Fund Liquidity and Fee and Gate Thresholds Should be Removed. We strongly urge the SEC to remove the tie to the 30% weekly liquidity assets (WLA) threshold that currently grants a money market fund board discretion to impose fees or gates when the fund's WLA falls below 30% of its total assets. As the research[2] of the Investment Company Institute ("ICI") bears out, this framework can lead and has led to preemptive runs as some investors redeem as the WLA approaches 30% to avoid their shares being subject to potential fees and/or gating. Therefore, although funds are required to hold 30% WLA, if managers won't spend it for fear of exacerbating the problem, the 30% may not provide the intended liquidity buffer.

The current framework creates situations where funds are incentivized to hold artificially high WLAs, which would not otherwise be desired from an investment or performance standpoint. This is an unfortunate dynamic, especially given the challenges money market funds already face to generate attractive yields to complement their principal preservation objectives.

We recognize the PWG Report notes a potential drawback to removing the tie to 30% WLA could be funds may hold fewer liquid assets and be less equipped to manage significant redemptions. However, in our experience managing money market funds for many decades, WLA levels of 30% are typically more than sufficient to handle redemptions in a wide range of market environments. Also, given the high quality of money market funds' holdings coupled with their emphasis on diversification, these portfolios are generally well positioned to shift their asset mix where needed to respond to increased redemptions. In light of this, we disagree with the views of some commenters recommending an increase in the WLA threshold. In our view, the problem is not that the threshold is too low, it is that the threshold has become a "cliff edge." An increase in the threshold would not solve that problem, and in our view would be unnecessary, counter-productive, and unlikely to generate additional benefits. De-linking the tie to 30% WLA is a far better alternative for solving this "cliff edge" problem.

While we are very much in favor of de-linking fees and gates from the 30% WLA threshold, we think boards should only have the ability to consider imposing fees and/or gates if less than 15% of the fund constitutes WLA, as opposed to permitting funds to impose fees or gates without reference to a specific level of liquidity. Otherwise, there will be greater potential for variation in

[2] See November 2020 ICI Report titled "Experiences of US Money Market Funds During the COVID-19 Crisis" (herein, the "ICI COVID-19 Money Fund Report").

fee and gate protocols across money funds, which can increase uncertainty for investors and potentially impact their redemption decisions. In addition, a decision to impose fees and/or gates is a difficult and potentially controversial decision for fund directors, so having no specific level of liquidity as a reference for when they are to consider fees and gates places them in a more challenging position. Rather, what is important in this context is that the reference percentage be meaningfully less than the 30% WLA threshold for the reasons noted above.

Differences in Retail and Institutional Behavior Should be a Key Factor when Crafting Potential Policy Actions. Broadly speaking, all money market funds weathered the March 2020 crisis from the standpoint that funds met 100% of their redemptions and no fees or gates were imposed. Nonetheless, it is important to keep in mind that different types of money market funds experienced different cash flow patterns in response to this crisis. The ICI COVID-19 Money Fund Report notes that for the worst week of the 2020 crisis, institutional prime money market funds' redemptions were 20% (approximately $66 billion) of assets and that retail outflows were considerably less. Specifically, the ICI COVID-19 Money Fund Report and PWG Report state net redemptions from retail prime money market funds were 9% (approximately $40 billion) during the two-week period March 13 to March 26, and tax-exempt money market funds incurred net redemptions of 8% (approximately $11 billion) during the two-week period March 12 to March 25. The 2008 financial crisis was also marked by similar differences in institutional versus retail net redemption activity.[3]

A well-accepted explanation for this difference in cash flow patterns is retail money market investors have different objectives—such as saving over the long term— whereas institutional investors use money market funds for more transactional purposes. In light of the more muted redemption dynamic in retail money market funds in response to financial crises, we strongly believe no policy changes are needed for retail money market funds from a resiliency standpoint other than the de-linking of fees and gates.[4]

The Viability of Swing Pricing Depends on the Type of Funds Involved and Other Factors. The PWG Report notes that swing pricing can help ensure redeeming shareholders bear liquidity costs by adjusting the fund's NAV when redemptions exceed a threshold. The PWG Report also cites various obstacles to utilizing swing pricing in money market funds, including those stemming from striking multiple NAVs per day and "T+0" settlements (each being important features of many money market funds). We agree with the views of the Asset Management Group of the Securities Industry and Financial Markets Association and the ICI that swing pricing is not well-suited for money market funds, particularly because of the more extensive liquidity requirements as compared to other open-end funds.

More broadly, we think the SEC should consider whether to further encourage the use of swing pricing for open-end investment companies that are not money market funds. Swing pricing has been an effective anti-dilution tool for some UCITS funds that are not money-market funds, including T. Rowe Price's pooled vehicles in the United Kingdom and Luxembourg. While swing pricing is optional for open-end investment companies in the U.S., it has failed to gain traction, in large part, due to unique challenges with the timing and process for U.S. intermediaries submitting trade orders to funds' transfer agents. As a result, it would not be feasible at present

[3] See ICI COVID-19 Money Fund Report.
[4] We note that the SEC's regulatory framework for money market funds has a history of recognizing the difference in the redemption behavior of funds' retail versus institutional investors, such as in the decision to only require institutional money market funds to use floating NAVs.

for a fund to determine if a swing threshold is breached, and if so, what swing factor should be applied. However, because we have seen real-world examples of swing pricing being beneficial for funds in other jurisdictions, we recommend the SEC evaluate if it should propose changes to require (or otherwise provide funds with the ability to influence) intermediaries to provide accurate estimates of subscription and redemption information prior to the striking of non-money market funds' NAVs.

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Thank you for considering our views on this important topic. If you would like to discuss our letter further, please do not hesitate to contact us.

Sincerely,

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