CAPITAL GROUP®

The Capital Group Companies, Inc.
333 South Hope Street
Los Angeles, California 90071-1406

capitalgroup.com

VIA ELECTRONIC SUBMISSION

April 11, 2022

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

Re: Proposed Rule on Money Market Fund Reforms (File Number S7-22-21)

Dear Ms. Countryman:

The Capital Group Companies, Inc. ("Capital Group") appreciates the opportunity to provide comments on the Securities and Exchange Commission's ("SEC" or "Commission") proposed amendments to rule 2a-7 that govern money market funds under the Investment Company Act of 1940, as amended (the "Proposal" and such, act, the "1940 Act").

Capital Group is one of the oldest and largest privately held investment management organizations in the United States with more than 90 years of investment experience. Through our investment adviser subsidiaries, we actively manage equity and fixed income investments across all market sectors in various collective investment vehicles and institutional client separate accounts. The vast majority of these assets consist of the American Funds family of mutual funds as well as other U.S. regulated investment companies managed by Capital Research and Management Company.

Money market funds play a critical and essential cash management function within the market and to investors of funds managed by the Capital Group. Capital Group manages two money market funds. The first is American Funds U.S. Government Money Market Fund, which as its name implies is a government money market fund that as of March 31, 2022 has approximately $24 billion in total fund assets. The second is the Capital Group Central Cash Fund ("CCF"), an institutional prime money market fund that is used as a central cash management vehicle primarily for other funds managed by Capital Group and is not offered to the public. As of March 31, 2022, this fund has approximately $147 billion in total fund assets. We estimate that assets under management of Capital Group's internal institutional prime money market fund represent approximately 18% of overall institutional prime assets.[1] During March 2020 and as discussed further below, both our U.S. government money market fund and CCF realized significant inflows.

We appreciate the opportunity to comment and commend the Proposal's intended objectives of improving the stability and transparency of money market funds. As discussed in more detail below, Capital Group generally supports removing the links between fund liquidity requirements and the imposition of redemption gates and liquidity fees, as well as increasing funds' daily and weekly liquidity requirements. We are also supportive of clarifications to rule 2a-7 that will provide better and more consistent data to the SEC and investing public, such as those clarifications related to the calculation of weighted average maturity and life, and definitions of the various types of money market funds.

At the same time, we are concerned that the swing pricing component of the Proposal will (1) not meet the Proposal's intended objective of preventing fund dilution or runs on funds, (2) reduce the overall availability of money market funds and (3) simultaneously impose substantial and unduly burdensome operational complexity and costs to money market funds. Additionally, although we are supportive of the Proposal's amendments to certain reporting requirements on Form N-MFP to improve the availability of information about money market funds, for the reasons described below, we are concerned that the Proposal does not provide adequate time for filers to submit such additional reporting.

We support many of the comments submitted by the Investment Company Institute (the "ICI Letter")[2] and the Asset Management Group of the Securities Industry and Financial Markets Association (the "SIFMA Letter")[3] as noted throughout our letter. This letter provides Capital Group's perspectives on the benefits of money market funds, the concerns we believe swing pricing and the additional reporting requirements on Form N-MFP pose and our proposed alternatives to the Proposal, as they relate to such concerns.

1. Benefits of money market funds.

As described in the ICI and SIFMA Letters, money market funds play an important role in the orderly functioning of the short-term funding markets, and they provide integral cash management solutions for various types of investors. Investors may prefer money market funds over alternative cash management products, in large part, because money market funds are a regulated product that provide high levels of liquidity, administrative efficiency, stability, and transparency as well as minimal credit risks. Accordingly, maintaining the availability of money market funds is critical. The decreased availability of these products may necessitate investors turning to less liquid, inefficient, volatile, less transparent, and/or more risky and expensive cash management alternatives.

As the short-term funding markets are an interconnected system, even proposals that are

[1] As of January 31, 2022. Crane Data, February 2022 issue of *Money Fund Intelligence XLS*.
[2] ICI Comment Letter, April 11, 2022.
[3] SIFMA Comment Letter, April 11, 2022.

limited to certain types of money market funds (such as institutional prime money market funds), may lead to such adverse results. Thus, although we acknowledge that the size of institutional prime money market funds has decreased over time, maintaining their continued availability is necessary to the overall resilience and orderly functioning of the short-term funding markets. Additionally, notwithstanding this decrease, institutional prime money market funds represent the bulk of prime money fund assets and have over $615 billion in assets under management.[4] Overall, prime money fund assets continue to be a significant sub-sector of short-term funding markets, representing a 14% ownership share of the commercial paper market.[5]

2. Removal of liquidity fees and redemption gates and increases to liquidity requirements

Capital Group supports removing the liquidity fee and redemption gate requirements from rule 2a-7. We believe (and the evidence laid out in the Proposing Release and the ICI and SIFMA Letters support) that much of the decision by institutional investors to redeem from institutional prime funds in March 2020 was driven by investors' preconceived perceptions about certain funds' liquidity based on their visibility to weekly liquidity buckets and their knowledge that under rule 2a-7, funds could impose liquidity fees and redemption gates if a fund's weekly liquid assets dropped below the 30% threshold. To our knowledge, no fund did or actually considered imposing a liquidity fee or redemption gate.

We also support amending rule 2a-7 to generally increase funds' daily and weekly liquidity requirements. We believe this will improve funds' overall resilience. However, we agree with comments contained in the ICI and SIFMA Letters that the proposed increases to 25% and 50% for daily and weekly requirements, respectively, are higher than necessary. We believe the reasoning contained in the ICI and SIFMA Letters support more modest increases as the letters suggest.

We believe removing the imposition of redemption gates and liquidity fees, coupled with the increase in the daily and weekly liquidity requirements will address the issues faced by a small number of funds during the Spring of 2020. We advocate allowing time for these changes to be absorbed and their effectiveness analyzed before implementing more significant changes like swing pricing, which as discussed further below, we believe will not be effective in meeting the Commission's goals with respect to money market funds.

3. Swing pricing is an ineffective solution that imposes substantial operational burdens that will limit the availability of money market funds.

As described in the Proposal, in March 2020, in connection with the economic shock from the onset of the COVID-19 pandemic, certain types of money market funds had significant outflows as investors sought to preserve liquidity.[6] In response, the Commission set forth

---

[4] As of February 28, 2022. Crane Data, March 2022 issue of *Money Fund Intelligence XLS*.
[5] As of March 2022. Barclays, *US Money Markets: CP and Non-Money Fund Buyers*, dated March 9, 2022.
[6] Proposing Release at p. 6.

various proposals to amend rule 2a-7, including the application of swing pricing, to prevent significant and unexpected investor outflows in money market funds and to reduce first-mover redemption advantages as well as the potential for dilution of investors who choose to remain in the fund.[7]

Under the Proposal, institutional prime and institutional tax-exempt money market funds would be required to apply swing pricing when the fund experiences net redemptions to ensure that the costs incurred to meet the redemptions are fairly allocated and do not give rise to a first-mover advantage or dilution under either normal or stressed market conditions.[8] As such, when a fund experiences net redemptions, such fund would be required to adjust its current net asset value ("NAV") to reflect spread and transaction costs (e.g., brokerage commissions, custody fees, and other charges or taxes associated with portfolio security sales). If such net redemptions were to exceed 4% of the fund's net asset value during a pricing period, the fund would also be required to apply to its current NAV per share a market impact factor. The market impact factor would be calculated by estimating the market impact of selling a vertical slice of a fund's portfolio to satisfy the amount of net redemptions for the pricing period. This, in turn, requires calculating the percentage decline in the value of each security if it were sold, per dollar of the amount of the security that would be sold, under current market conditions.

a. Swing pricing will not address the Commission's policy concerns

We believe that swing pricing would not prevent significant or unexpected investor outflows in money market funds or address potential risk of dilution because the spread and market impact factors are too small to meaningfully impact a money market fund's NAV and deter investors from redeeming. As described in the Proposal, for funds that price portfolio securities using mid-market pricing, the application of spread costs effectively requires such funds to value a security in their respective portfolios at bid pricing.[9] To assess the potential impact of the application of spread costs during both normal and stressed market circumstances, we analyzed the holdings of our institutional prime money market fund, CCF, on various dates (March 16, 2020, December 31, 2021 and January 7, 2022). For such dates, using historical mid and bid prices available from our primary pricing vendor, we were able to determine that the per share impact of using bid pricing instead of mid-market pricing was immaterial. CCF prices off a base NAV of $100.00, and using bid pricing instead of mid-market pricing, for example, on March 16, 2020 (one of the more volatile days in the markets in March 2020), would have led to a decrease of less than 4/10 of 1 basis point to CCF's per share NAV on that day (and even smaller decreases on December 31, 2021 and January 7, 2022, respectively). Moreover, on March 16, 2020, CCF experienced net redemptions of less than 1%; thus even on one of the more volatile days in the market, CCF would not have needed to apply a market factor had swing pricing been required.

[7] Proposing Release at p. 45.
[8] Proposing Release at p. 44.
[9] Proposing Release at p. 49.

Additionally, to better understand the impact of swing pricing on CCF's NAV during market stress, we estimated the impact of applying spread costs and the market impact factor to CCF's NAV on March 16, 2020 (even though on March 16, 2020, CCF experienced net redemptions of less than 1%). As noted above, this day was observed to be one of the more volatile days in the market in March 2020. Upon analyzing the components of spread costs and the Proposal's recommended methodology in calculating the market impact factor, we believe spread costs and the market impact factor would largely equal substantially similar numbers for purposes of CCF's NAV on March 16, 2020. As prescribed by the Proposal, spread costs and other transaction costs include brokerage commissions, custody fees, and any other charges, fees, and taxes associated with portfolio security sales. Upon analyzing each of these costs, we determined that none of these costs would have affected the NAV of CCF by more than 1 basis point. For example, applying CCF's custody expenses for an entire month to a single day would lead to a decrease in NAV equal to less than 2/1000 of 1 basis point.

As prescribed by the Proposal, the market impact factor is calculated by using a "good faith estimate" of the market impact of selling a vertical slice of a fund's portfolio to satisfy the amount of net redemptions for the pricing period. For purposes of this backward-looking calculation, we used historical bid to mid spread information for the month of March 2020 to serve as a reasonable proxy for such "good faith estimate." Using the actual redemptions observed on March 16, 2020 for CCF, utilizing the highest bid to mid spreads for the month of March 2020, and assuming an equitable redemption of each CCF holding, adding the hypothetical market impact factor would have had no ascertainable impact to CCF's per share NAV. Using the same methodology, but assuming CCF experienced net redemptions of 4% and 8%, the fund's NAV would have decreased by barely more than a 2/100 of 1 basis point and 3/100 of 1 basis point, respectively. Going even further and not applying a redemption factor to the calculation, which would not be contemplated even under the Proposal as written, would lead to an impact of less than a penny per share.

Lastly, as noted in the ICI and SIFMA Letters, swing pricing would also not reduce the first-mover redemption advantage. This is because an investor would not know whether a swing factor was being applied at the time it placed a redemption. Additionally, the potential for dilution by earlier redeeming investors is not relevant for money market funds because in normal markets, most if not all assets of the fund are already considered highly liquid. Moreover, as discussed below, historically, redemptions would not have created dilution for Capital Group's money market funds as the funds have ample liquidity on a daily basis in the form of maturing securities to meet redemptions and still maintain their liquidity baskets.

b. Swing pricing imposes substantial operational burdens without addressing the Commission's policy concerns or providing meaningful benefits to investors.

As described above, our due diligence shows that swing pricing would not address the Commission's policy concerns or provide meaningful protections or benefits to investors. At the same time, swing pricing imposes substantial operational burdens and introduces significant complexity.

i. Determining when a fund experiences net redemptions.

One of the most significant issues with the swing pricing component of the Proposal is that it requires a fund to have sufficient net flow information before it strikes its NAV . As we noted in our comment letter on the Commission's broader swing pricing release in 2016,[10] there are structural issues in the U.S. market that make it practically infeasible for a fund to determine whether it is experiencing net redemptions before it strikes its NAV. There is a lack of real-time visibility to shareholder transactions, and the current industry framework is set up such that a significant portion of each day's net flow activity is received by the fund after such fund has already calculated its NAV for the day.

To further elaborate on our 2016 comment letter,[11] consistent with industry practice and in accordance with Rule 22c-1 of the 1940 Act, the American Funds and Capital Group's internal money market fund, CCF, generally price their respective shares as of close of the New York Stock Exchange, generally at 4:00 p.m. ET. Each fund (including CCF and the underlying funds for which CCF provides cash management services) generally aims to release the information to financial intermediaries by approximately 6:00 p.m. ET.

With respect to CCF's underlying funds, financial intermediaries such as third-party dealers, bank trust departments and retirement plan recordkeepers are authorized to act as agents for the funds and accept orders up to the fund's pricing cut off time of 4:00 p.m. ET. They process their day's trading activity using the NAVs sent to them by the funds at the end of the day through systems which run through the evening to calculate net purchase or redemption amounts of each fund's shares from orders received by such intermediaries' respective clients prior to 4:00 p.m. ET that day. Net orders are then transmitted to the underlying funds the next day (T+1), generally by 7:00 a.m. ET. Similar to others in the industry, this is the standard method by which funds managed by Capital Group receive purchase and redemption orders from their investors. CCF, as well as other funds in our complex, currently receive very limited intraday order information from intermediaries. As a result, because (1) CCF is dependent on flow data being known for the underlying investing funds (*i.e.,* the investing funds need to determine their net flows in order to know whether they need to redeem from CCF to raise cash for their own redemptions) and (2) such flow data from the underlying investing funds is only available on a T+1 basis, generally by 7:00 a.m. ET, CCF does not have sufficient data to determine during a pricing period whether the fund will be in net redemptions for the day.

In order to apply swing pricing to U.S. mutual funds, the framework for receiving investor trading activity would need to change so that funds receive order information from investors and financial intermediaries prior to their pricing cut off time. We believe that this change needs to be made uniformly across the industry in order for swing pricing to be utilized.[12] In contrast, in Europe, where swing pricing has been adopted, our understanding is that shareholder orders must be received by 1:00 p.m. CST on the valuation date, so that funds

---

[10] Capital Group Swing Pricing Comment Letter, January 13, 2016.

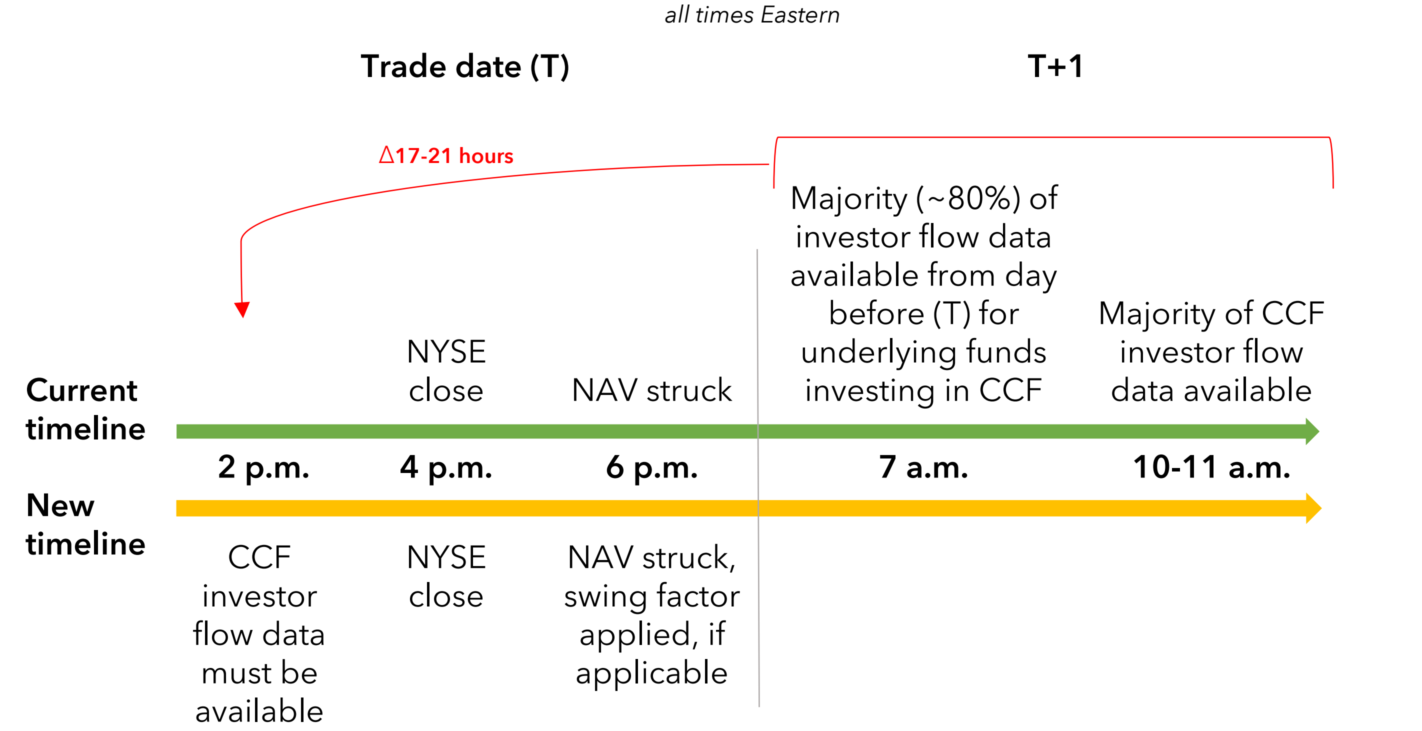
[11] *Id.*

[12] *See* Capital Group Swing Pricing Comment Letter at p. 7.

have sufficient time to both determine whether they are experiencing net redemptions and calculate and apply swing pricing, if appropriate. Accordingly, in Europe, the combination of an earlier cutoff time and the actual receipt of real-time shareholder activity information means that sufficient shareholder activity is known when funds are striking their respective NAVs. Given the prevalent role of financial intermediaries in the U.S. market, funds in the U.S. have significantly less access to real-time shareholder activity.

Not only does the cutoff time for investors and their intermediaries to transmit their trading activity need to be moved up generally, but also, the cutoff time needs to be moved up early enough on the day of pricing to give funds sufficient time to calculate a swing factor, if necessary. Set forth below in Figure 1 is a rough timeline that illustrates how much further we believe the cutoff time would need to be moved to accommodate swing pricing, and how such cutoff times compare to current timelines. As illustrated below, we estimate that such cutoff times would need to be decreased by 17-21 hours.

Figure 1



CCF = Capital Group Central Cash Fund. Because CCF is used as a cash management vehicle for other funds, CCF is dependent on flow data being known for the underlying investing funds. This dependency pushes CCF's timeline under the current structure out a few extra hours. If CCF were a publicly offered fund, the earliest investor flow data would be available under the current structure is 7:00 a.m. ET.

If institutional prime money market funds were required to apply swing pricing, the funds' operational timeline would need to move up almost a full day (17-21 hours) based on our experience (and regardless of whether the funds are privately or publicly offered). While we note the illustration above is specific to the Capital Group and demonstrates significant hurdles were swing pricing to be required, we believe ours may actually be a simpler situation than what other funds who strike multiple NAVs a day and/or offer their shares to the public may face.

ii. Calculating spread costs and the market impact factor.

In addition to the difficulty in determining when a fund is experiencing net redemptions, calculating spread costs and the market impact factor also impose significant operational burdens. In effect, the requirement to apply spread costs to a money market fund's NAV compels a fund to undergo a complex process of analyzing each type of spread cost and determining which portion of such cost is a general fee of the fund versus a fee associated with the sale of a vertical slice of the portfolio to meet net redemptions. To add to this complexity, fees are often accrued on different bases (i.e., daily versus monthly).

With respect to the market impact factor, although the Proposal provides some helpful guidance that the determination of the market impact factor is a "good faith estimate,"[13] the Proposal lacks operational clarity on its calculation. For example, although the Proposal notes that such good faith estimates may be applied for each type of security with the same or "substantially similar characteristics", the Proposal is silent on what constitutes substantially similar characteristics. Further, the Proposal notes that the market impact factor is the percentage decline in the value of the security if it were sold, per dollar of the amount of the security that would be sold, under current market conditions.[14] However, it is not clear how this percentage decline should be calculated (i.e., what are the two points in time at which the value of the security should be analyzed in order to determine the percentage decline?).

Moreover, under the Proposal, this entire process would need to be completed, tested and verified for accuracy on a tightly compressed timeline, as the Proposal requires swing pricing to be applied to each pricing period. Additionally, funds would also need to build out systems and procedures to efficiently remove the swing factor for the immediately next pricing period (unless and until it again determined that the fund was experiencing net redemptions). These operational challenges and the associated costs could drive smaller institutional prime and tax-exempt money market funds out of the market. Additionally, the reduced transparency and increased complexity that swing pricing will introduce to such money market funds is likely to reduce overall demand for these products.

iii. Tax implications.

Swing pricing will require the Commission, Treasury Department and Internal Revenue Service to be aligned on the tax consequences of the proposed swing pricing requirement, including implications for an investor's use of the exemption from the wash sale rule for redemptions of shares in money market funds. As noted in the ICI and SIFMA Letters, any additional tax burdens on investors and money market funds should be considered and resolved by the Commission prior to adopting any swing pricing requirement for money market funds.

4. Additional swing pricing considerations.

a. Nonpublic money market funds should be exempt from the swing pricing requirement.

Privately offered money market funds organized, for example, by a fund adviser for the purpose of centrally managing the cash of the investment companies within a fund complex are inherently different in nature. Capital Group's own non-public, central money market fund focuses on liquidity and capital preservation over yield, and we structure CCF's portfolio accordingly. In our experience, the fund also has greater visibility into upcoming and/or larger redemptions, in particular, and can build shorter term liquidity in anticipation.

---

[13] Proposing Release at p. 50-51.
[14] Proposing Release at p. 50.

In addition, based on our historical analysis for Capital Group's internal money market fund, CCF, larger redemptions frequently had little relation to macroeconomic market stress. Rather, they were often redemptions by the investing funds in anticipation of transactions in the ordinary course, such as an investing fund's need for cash to settle trades, including for larger transactions such as initial public offerings, Treasury auction purchases or purchases of TBA securities. These are also examples of transactions that can also be communicated to the internal money market fund in advance of the date funding is needed.

The lower redemption rates realized by internal funds noted in the Proposal's release are substantiated by Capital Group's own data. Indeed, even throughout March 2020, there was not one day in which Capital Group's internal money market fund experienced net redemptions close to 4% (the largest in March 2020 being less than 2.5% on March 24, 2020). Further, in March 2020, Capital Group's internal money market fund actually realized significant inflows as managers raised cash that was invested into Capital Group's internal money market fund.

Nonpublic internal funds also have the ability to set up conflict processes and procedures to mitigate the potential for any first mover advantage. Accordingly, the Commission's policy concerns of significant unforeseen shareholder redemptions and first-mover advantage are not applicable (or can be significantly mitigated) by nonpublic internal money market funds. Therefore, we believe that such funds should not be subject to the swing pricing requirement in the Proposal.

b. Swing pricing must provide a safe harbor.

Swing pricing determinations necessarily will require the use of judgment in determining swing thresholds and swing factors, as well as the use of estimates in making swing pricing adjustments, in each case, on tightly compressed timelines. Accordingly, as further noted in the ICI and SIFMA Letters, to the extent the Commission adopts swing pricing, the amendments should clarify that (1) a determination that a money market fund had net redemptions or exceeded the "market impact threshold" during a pricing period and (2) the calculation and application of the swing factor done in accordance with reasonably designed swing pricing policy and procedures, in either case, made on reasonable inquiry and estimates, will not subject the fund, the investment advisor, board of directors or any individual involved in the determinations to any liability, absent willful or reckless behavior. Additionally, the rule should make clear that where a net asset value is "swung" based on reasonable inquiry and estimates, a later determination that a fund was not in net redemptions for a pricing period will not constitute an "error" subject to the fund's error correction policy. Such provisions would be consistent with assurances contained in the SEC release of the swing pricing rule in 2016.[15]

c. To the extent swing pricing is adopted, its application should be triggered by sales of portfolio securities as opposed to net redemptions.

[15] Investment Company Swing Pricing, Release No. IC-32316, October 13, 2016.

To the extent the Commission adopts swing pricing, we believe the triggering event should be whether a money market fund is required to sell securities to fund shareholder redemptions. Under the current market structure, this would help address the operational challenges of determining whether a fund is in net redemptions.

We also believe sales of portfolio securities would serve as a better barometer of actual potential dilution to a fund. For nonpublic internal money market funds in particular, net sales of securities serves as a better proxy for macroeconomic market stress. As discussed above, nonpublic internal money market funds have greater visibility into investor redemptions and can structure their portfolio so that proceeds from maturing securities can be used to meet redemptions. We have reviewed historical redemption and net sales activity for our institutional prime fund and can confirm that the fund did not need to sell securities to meet redemptions during the March 2020 time period. Moreover, while CCF's history is relatively short, for every daily pricing period in its three-year history, the fund was always in excess of its daily and weekly liquidity requirements the next day and has always had maturities in excess of its net redemptions. We believe our fund is not unusual in its ability to routinely use maturities to fund redemptions, as money market funds by their nature are comprised of staggered short-dated securities. Accordingly, if funds had to sell securities in order to fund shareholder redemptions, that would be a more meaningful indication of unforeseen market wide redemption activity and stress.

Further, from our review of historical redemption and net sales activity of CCF, we do not believe the two metrics have any meaningful ties. Since its inception, the fund has experienced net redemptions on less than half of its days. On such days when the fund experienced net redemptions, CCF had net portfolio sales on less than 10% of such days and none of those days occurred in March 2020.

Further, using net sales as the trigger for the application of swing pricing addresses the Commission's dilution concerns, as a money market fund that has built sufficient liquidity does not need to sell securities to fund shareholder redemptions. Indeed, in Europe, where swing pricing is more regularly applied, most funds, including Capital Group's Luxembourg funds, adopt partial swing pricing.[16] This means that a swing factor is applied only when there is potential for dilution, as evidenced by the fund's net assets moving over a certain number of basis points, which in turn, indicates that the fund will need to sell securities in order to fund shareholder redemptions.

d. Funds should have discretion in selecting their own swing thresholds

An alternative to using net sales of portfolio securities as a swing threshold is to allow institutional and tax-exempt money market funds the discretion in selecting their own net redemption and market impact thresholds. This is in lieu of requiring swing pricing to be

[16] In Europe, "partial swing pricing" refers to the practice of "swinging" the NAV only when a predetermined net capital activity threshold (the swing threshold) is exceeded at each dealing day. "Full swing pricing", on the other hand, refers to the practice of adjusting the NAV each time there is capital activity, irrespective of its size or significance to the fund.

applied at the first dollar of redemptions and requiring the application of a market impact factor if net redemptions exceed 4% of fund assets. Based on the liquidity profile and experience of Capital Group's money market funds referenced throughout this letter, we believe the thresholds contained in the Proposal are too low. We believe a more appropriate framework would be to allow funds to retain discretion in this area given their self-knowledge and ability to monitor activity. Such discretion could be based on a fund's liquidity levels, historical redemption activity, as well as reasonable estimates of future activity based on a fund's understanding of its investor base. We believe such an approach is not dissimilar to the framework provided in the SEC's Liquidity Risk Management Rule, which among other things, permits funds the discretion to classify securities and establish liquidity minimums that reflect the liquidity profile of the fund's investments, the fund's shareholder base and historical redemption activity.[17]

e. Swing pricing should be subject to a 24-month compliance date.

The Commission proposes a 12-month compliance period for institutional and tax-exempt money market funds to comply with the Proposal's swing pricing requirement. Because the swing pricing requirement would represent significant changes to the way money market funds currently operate, several systems will need to be built in order to (1) capture net flow information specifically for these purposes and to determine whether a fund was in net redemptions, (2) determine whether such redemptions exceed 4% of the fund's net asset value, (3) calculate spread costs and the market impact factor, if applicable, (4) apply such spread costs and the market impact factor to a fund's NAV and (5) distribute such NAV. Additionally, systems must also be able to perform the related accounting and tax functions that would correspond to any application of swing pricing. Based on our inquiries, none of Capital Group's vendors currently have such capabilities or systems, and it is not on their respective product agendas or roadmaps in the foreseeable future.

Given this process will require the engagement and coordination of third party vendors and service providers, and likely will require updates to internally built systems and processes, we strongly believe that a 24-month compliance period is the minimum amount of time needed to permit funds to build and test such systems for accuracy. Introducing such extensive changes to money market funds without adequately tried systems on a rushed basis would present unnecessary risk and potential harm to investors of institutional prime and tax-exempt money market funds.

5. Funds should receive an additional three business days to file Form N-MFP, as amended by the Proposal.

Capital Group appreciates and agrees with proposed clarifications to the information that money market funds must provide in Form N-MFP and generally supports the additional data points proposed for inclusion in the form. However, we respectfully request that funds receive at least three additional business days to complete and file Form N-MFP (i.e., forms

[17] Investment Company Liquidity Risk Management Programs, Release No. IC-32315, October 13, 2016.

would be due on the 8th business day of the following month). As the Commission is aware, Form N-MFP became a monthly required filing due by the 5th business day as part of the Commission's 2010 money market reforms. When the Commission later introduced further reforms to money market funds in 2014, it required funds to provide additional data to the Form N-MFP filing (including, among other data, daily and weekly liquid assets, weekly shareholder flows, NAV per share, waivers, and investment categories) without any extension made to the filing deadline.

The Proposal represents almost a doubling of new data that funds will need to obtain and report on Form N-MFP, and such data will require additional time to collect and aggregate. Additional time will also be needed to prepare and review such data to ensure completeness and accuracy.

6. Conclusion

Money market funds are an important investment option for millions of American investors, in large part, due to the high levels of transparency and liquidity associated with the product. While Capital Group supports the Commission's efforts to improve the resiliency and transparency of money market funds, we urge the Commission to first study the effects of other aspects of the Proposal (such as the removal of liquidity fees and redemption gates and increased liquidity requirements) prior to adopting swing pricing. For the reasons described in this Letter, we believe that a data driven and supported approach is warranted and necessary before swing pricing becomes required. Swing pricing represents a significant new regulatory requirement that we believe will have little benefit in the case of money market funds and will impose large operational costs and burdens that we believe will impair and reduce the availability of money market funds. Accordingly, we urge the Commission to first study the effects of other aspects of the Proposal on improving the resilience of money market funds before determining that the application of swing pricing is necessary in the furtherance of the Commission's policy goals.

Lastly, consistent with the data driven and supported approach we are advocating for, as illustrated by the lower redemption rates realized by internal money market funds noted in the Proposal's release and as substantiated by Capital Group's own data, we strongly believe that nonpublic internal money market funds should be exempt from the swing pricing requirement if adopted. Because nonpublic internal money market funds have greater visibility into upcoming and/or larger redemptions, in particular, and can build shorter term liquidity in anticipation, the Commission's policy concerns of significant unforeseen shareholder redemptions and first-mover advantage are not typically applicable to nonpublic internal money market funds.

* * * * *

We would welcome any opportunity to discuss our views with the Commission and Staff. If you have any questions, please do not hesitate to contact us.

Sincerely yours,

Steven D. Lotwin
President, American Funds U.S. Government Money Market Fund and Capital Group Central Cash Fund

Kristine M. Nishiyama
Principal Executive Officer, American Funds U.S. Government Money Market Fund and Capital Group Central Cash Fund

Brian C. Janssen
Treasurer, American Funds U.S. Government Money Market Fund and Capital Group Central Cash Fund

cc: The Hon. Gary Gensler, Chairman
The Hon. Hester M. Peirce, Commissioner
The Hon. Allison Herren Lee, Commissioner
The Hon. Caroline A. Crenshaw, Commissioner
William A. Birdthistle, Director, Division of Investment Management