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April 11, 2022

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

Re: File No. S7-22-21; Proposed Money Market Reforms

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 (AUM) of $1.54 trillion.[1] We offer government money market funds to retail and institutional shareholders, and our prime and tax-exempt money market funds are offered to retail investors.[2] Our 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, many of our products, including our proprietary mutual funds as well as many of our external client accounts, invest their excess cash in T. Rowe Price government money market funds that are not available for direct purchase by the public.

We are writing to provide our perspectives on the SEC's December 2021 proposal to amend certain rules governing money market funds ("MMFs") under the Investment Company Act of 1940 (the "Proposal"). As discussed in more detail below:

- *We support the Proposal's removal of fees and gates from Rule 2a-7;*
- *We question the SEC's proposed increases to liquidity thresholds, especially in the case of retail MMFs;*
- *We do not believe swing-pricing is well-suited for MMFs, however if the SEC proceeds with this element of the Proposal in a final rule, we agree with the SEC that it should not apply to retail MMFs;*
- *We encourage the SEC to make certain refinements and clarifications to the Proposal's changes to stress testing as it relates to the role of the board and the frequency of reporting; and*
- *If a final rule is adopted, the compliance period should be 18-24 months.*

[1] As of February 28, 2022 and based on preliminary data.
[2] The total AUM of T. Rowe Price's money market funds was over $48 billion as of March 31, 2022.

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Removal of Fee and Gate Provisions from Rule 2a-7 is Appropriate. In our April 2021 letter to the SEC in response to its request for feedback on the December 2020 report by the President's Working Group on Financial Markets (the "PWG Report"), we strongly urged the SEC to remove the tie to the 30% weekly liquidity assets ("WLA") threshold that currently grants a MMF board discretion to impose fees or gates when the fund's WLA falls below 30% of its total assets. As the research of the Investment Company Institute ("ICI") bears out[3] and as acknowledged by the SEC in the Proposal,[4] this framework leads to preemptive runs as some investors redeem as the WLA approaches 30% to avoid their shares being subject to potential fees and/or gates. This dynamic also disincentivizes MMFs from dipping below 30% WLA, which makes much of a MMF's reserves of WLAs not available in practice to satisfy redemptions. Accordingly, we support the proposed removal of the fee and gate provisions from Rule 2a-7.

Increases to the Weekly Liquid Asset Threshold are not Needed. As the SEC is aware, the Proposal would increase WLA requirements from 30% of total assets to 50%. However, in our experience managing MMFs for many decades, WLA levels of 30% are typically more than sufficient to handle redemptions in a wide range of market environments. Given the high quality of MMFs' 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. For these reasons, and because the SEC's proposed removal of Rule 2a-7's fee and gate provisions would both address a major source of unnecessary redemption pressures and MMFs' reluctance to access their 30% WLA buffers to meet redemptions, we believe the proposed increase to the WLA threshold is unwarranted. Therefore, we urge the SEC to leave the threshold unchanged, or consider a much more moderate increase to the current 30% WLA threshold.

As part of our recommendation to revisit the proposed WLA increase to 50%, we also urge the SEC to keep in mind that different types of MMFs experienced different cash flow patterns during the March 2020 market turmoil. The ICI COVID-19 Money Fund Report notes that for the worst week of the 2020 crisis, institutional prime MMFs' redemptions were 20% (approximately $66 billion) of assets and that retail outflows were considerably less.[5] Specifically, the ICI COVID-19 Money Fund Report and PWG Report both state net redemptions from retail prime MMFs were 9% (approximately $40 billion) during the two-week period March 13 to March 26, and tax-exempt MMFs 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.[6] The SEC has also acknowledged the different and smaller outflows from retail MMFs in times of stress versus institutional MMFs, including during the March 2020 market turmoil.

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. As a result, we think

[3] 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").
[4] See Proposal at page 28.
[5] In the case of T. Rowe Price's retail prime MMF, the fund actually experienced net subscriptions throughout the March 2020 crisis as investors sought protection from volatile markets.
[6] See ICI COVID-19 Money Fund Report.

keeping the existing 30% WLA threshold in place (or only making a very modest increase) is especially warranted for retail MMFs.

It is also important to consider the negative impact that the proposed increase would have on shareholders. Requiring MMFs to hold unnecessarily high WLA levels will detract from returns to the detriment of the fund's investors. We anticipate that if MMFs were required to hold at least 50% of their assets in WLA, they would hold a higher percentage of their assets in lower-yielding, very liquid securities, which would force their portfolios to perform more similar to government MMFs. This would be an unfortunate outcome as many investors choose to invest in a prime MMF instead of a government MMF because prime MMFs may offer a higher yield.

Swing Pricing Should be Withdrawn from the Proposal. We strongly agree with the views of the Asset Management Group of the Securities Industry and Financial Markets Association ("SIFMA AMG") and the ICI that swing pricing is neither well-suited nor appropriate for MMFs. Unlike other investment vehicles, MMFs are subject to extensive liquidity requirements and their transaction costs from trading are minimal - portfolio managers can meet redemptions by allowing their short-term assets to mature rather than transacting in the secondary market.

However, if the SEC insists on retaining this element of the Proposal (or substituting it with some other anti-dilution mechanism), we agree with the SEC that it is appropriate to exclude retail MMFs from such measures. As noted in the section above on the liquid asset thresholds, retail MMFs are not as susceptible to redemption runs in times of stress and as compared to investors in institutional MMFs, investors in retail MMFs generally have different investment objectives that make their decisions to sell MMF shares less reactive.

Stress Testing Requirements Should be Clarified and Refined. As the SEC knows, existing Rule 2a-7 requires periodic stress testing that assesses a MMF's ability to have invested at least 10% of its total net assets in weekly liquid assets under specified hypothetical events. Under the Proposal, the testing methodology would move away from this objective 10% level and instead be more tailored such that each fund would determine the sufficient minimum level of liquidity that should be utilized for its stress tests.

We believe it would be beneficial to MMFs and their boards for the SEC to explicitly state who would be responsible for determining the sufficient minimum level of liquidity for stress tests. Specifically, the MMF's adviser (as opposed to the fund board) would be best placed to make the initial and ongoing determinations regarding what is the sufficient minimum level of liquidity for a particular fund. From a director standpoint, these determinations would be outside a board's area of expertise. In our view, setting a clear line that the adviser is responsible for such determinations would also promote dialogue and give directors comfort to freely engage with the MMF's adviser regarding its stress testing results and the testing process. For these reasons, we also do not believe directors should be responsible for approving the liquidity level set by the adviser in the stress test.

We note that the Proposal does not call for any changes to the requirements that the MMF's stress testing results be reported to the board at every meeting. Directors for large fund complexes have an array of responsibilities and the volume of board materials to be digested can be a significant undertaking. To facilitate directors being able to focus on the issues of greatest importance from an oversight standpoint, we encourage the SEC to amend the reporting frequency to the board under Rule 2a-7(g)(ii) so that it would instead be based on

whether or not there is a significant market event or a result under the stress test that warrants providing a report to the board.

The Proposed Compliance Date Should be Extended. As proposed, there would be a 12-month compliance period with respect to swing pricing and the vetting of financial intermediaries' capacity to support floating NAVs and a 6-month compliance period for the other aspects of the proposed rule. We agree with the sentiments expressed by the ICI and SIFMA AMG that a longer compliance period is warranted. Accordingly, we recommend an 18-24 month compliance period for all aspects of the rule. Even for fund complexes that would be out of scope for swing pricing, implementing the proposed rules would involve significant costs and staff time, and funds will have to balance implementing these new requirements alongside an expected wave of new requirements arising from multiple complex proposals being issued by the SEC in recent months that impact advisers and funds.

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

Sincerely,

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