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VIA ELECTRONIC SUBMISSION

April 11, 2022
Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: File No. S7-22-21: Request for Comment on Proposed Money Market Fund Reforms

Dear Ms. Countryman:

Invesco Ltd. ("**Invesco**") appreciates the opportunity to provide comments to the Securities and Exchange Commission (the "**SEC**" or the "**Commission**") on Release No. IC-3444—Money Market Fund Reforms (the "**Release**") regarding potential reform measures for money market funds.

Invesco is a leading independent investment manager with approximately $1.53 trillion in assets under management as of February 28, 2022. Invesco is a global company focused on investment management, and our services are provided to a wide range of clients throughout the world, including open-end mutual funds, closed-end funds, exchange-traded funds, collective trust funds, UCITS, real estate investment trusts, unit investment trusts and other pooled investment vehicles, as well as pensions, endowments, insurance companies and sovereign wealth funds. Invesco provides a wide range of customized investment strategies to its clients, including fundamental, actively managed equity and fixed-income strategies and passive, index-based strategies.

For over forty years, Global Liquidity has been a core business at Invesco with over $159.3 billion in liquidity assets as of February 28, 2022, of which $100.5 billion is held in money market funds governed by Rule 2a-7 of the Investment Company Act of 1940, as amended ("**Rule 2a-7**"). We believe in a disciplined investment process, high credit quality solutions with a keen focus on liquidity, and distinguished client engagement. These factors have led to consistent performance and a successful history of navigating multiple credit and liquidity events. Invesco has a tremendous commitment to the money market fund industry not only in the US, but across the globe.

Invesco appreciates the opportunity to provide the Commission with our comments on the proposed changes to Rule 2a-7 (the "**Proposed Rule**") detailed in the Release; this letter (the "**Comment Letter**") addresses some specific issues raised therein. Invesco recognizes that there are critical adjustments that need to be made to previous money market reform measures to make money market funds more resilient to market disruptions so they may continue to provide safe and liquid investments to retail and institutional investors. Invesco generally supports and is largely aligned with the positions expressed by the Investment Company Institute ("**ICI**") and the Securities Industry and Financial Markets Association ("**SIFMA**") in their separate comment letters to the Commission regarding the Proposed Rule.[1] Separately from the Release, we believe the broader regulatory focus should be on issues which would improve market structure and liquidity for all participants in the short-term funding markets thereby providing money market fund investors and managers a more stable environment to manage client assets.

I. Introduction and Executive Summary

Invesco strongly supports the ongoing efforts of the Commission to bolster the resilience and transparency of money market funds. Since its adoption, Rule 2a-7 has provided a solid foundation for the safety, liquidity and yield that investors have come to expect of money market funds. The SEC has implemented multiple rounds of reform aimed at making money market funds more resilient and better able to withstand various interest rate, credit and liquidity crises. The 2010 reforms focused on transparency and new risk-limiting parameters and the 2014 reforms were more structural in nature, instituting floating net asset values ("**NAV**s") for institutional prime and tax-exempt funds and new redemption gate and liquidity fee provisions. Additionally, the 2014 reforms further increased transparency, requiring advisers to post daily portfolio information on liquidity, mark-to-market NAVs, and net flows on their websites.

Despite the historical success of this foundation, however, we agree that the market events of March 2020 invite a reevaluation of Rule 2a-7 and an opportunity to strengthen it further. Invesco applauds the Commission's efforts in this regard and its focus on improving the ability of money market funds to satisfy significant redemption demands in an orderly and equitable manner.

The comprehensive changes to Rule 2a-7 promulgated in 2010 and 2014 have significantly enhanced the stability and transparency of money market funds. The impact of these changes must be taken into account when considering further money market fund reforms. Consideration of further reforms to money market funds must begin with a clear understanding of the objectives that the reforms are intended to achieve and the criteria used to evaluate them.

Invesco believes the principal goals of additional money market fund reforms should be:

- strengthening the ability of money market funds to utilize portfolio liquidity in order to manage redemptions and mitigating the related potential contagion risk;

[1] Comment letter regarding the Proposed Rule from the ICI dated April 11, 2022 (the "**ICI Comment Letter**") and comment letter regarding the Proposed Rule from SIFMA dated April 11, 2022 (the "**SIFMA Comment Letter**").

- increasing the transparency of money market fund risks and risk management practices, providing shareholders with more certainty and clarity, which are the best mitigants against potential runs;

- preserving the benefits that money market funds currently offer to investors to the greatest extent possible;

- preserving money market funds as a key source of funding for the real economy which includes state and local governments, retirement plans, corporations and other entities such as universities and hospitals; and

- promoting equitable treatment for all money market fund investors by, among other things, ensuring that any extraordinary liquidity costs by money market funds during periods of market stress are borne by the investors generating them and eliminating information advantages.

In evaluating potential reform options, as Invesco has stated in previous comment letters to the Commission, it is critical for policymakers to apply criteria designed to ensure the following:

- **Reforms must be effective in accomplishing the goals discussed above.** The Commission should seek to implement only those solutions with a proven track record of advancing their stated policy goals. For example, there is ample evidence of the relative effectiveness—or ineffectiveness—of floating NAVs, liquidity fees and redemption gates in reducing the probability and severity of investor runs. This evidence should be weighed when determining the relative merits of the proposed reform options.

- **Reforms must be carefully tailored to address the particular risks policymakers seek to mitigate**. Proposed solutions should be tailored to *specific* problems or risks. Attempts to craft solutions intended to address broad and ill-defined problems such as "systemic risk" are doomed to failure, in part because the nature and definition of systemic risk themselves are far from settled. The issues that the proposed reform alternatives are intended to address, such as the risk of money market fund investor runs, are specific in nature and arise in particular circumstances—namely, during periods of extreme market stress. Any additional reforms implemented to address these issues should be similarly tailored.

- **The utility and core features of money market funds that are valued by investors, sponsors and distributors must be preserved**. Investors cannot be forced to purchase an investment product that does not appeal to them. The fundamental features of money market funds that investors have embraced for decades—stability of principal, liquidity, administrative ease and a competitive yield—are critical to their appeal, utility and continued viability. If money market funds are altered in such a way as to substantially impair their usefulness as a cash management tool, Invesco's money market fund clients have communicated clearly, as they did in 2014, that they will seek alternative, potentially less transparent products that may not effectively mitigate the same perceived risks. Likewise, the distribution partners through whom many money market fund sponsors offer their products must be willing and able to support changes required by the Proposed Rule, otherwise they will cease to make money market funds available on their platforms.

- **Money market fund reforms must minimize the significant and potentially destabilizing effects of unintended consequences**. A carefully tailored approach to reform is especially important given the critical role played by money market funds within the financial system and the corresponding potential for serious adverse effects on global markets from overly broad or onerous reforms. It is vitally important to consider the potential impact of <u>each</u> reform option on investor behavior, in particular given the assessment that certain regulatory provisions (e.g., the tie between weekly liquid assets and provisions relating to the potential application of liquidity fees or redemption gates) may have influenced investor behavior during the COVID-19-related 2020 liquidity event.

In reviewing and assessing any potential structural changes to institutional prime and tax-exempt money market funds, it is important to conduct the review while being aware of the market events beginning in early March 2020 in order to ascertain the root cause of the market disruption and whether any change to money market funds would provide more stability to investors.

Money market funds did not cause the market instability in 2020, and they were only one of many participants in the short-term funding markets; rather it was the unprecedented "dash for cash" more broadly and uncertainty about access to cash in institutional prime money market funds due to the existing gating mechanism that influenced investor behavior and exacerbated an already unstable market.

Invesco believes that some significant modifications to the Proposed Rule are necessary in order for advisers to retain the necessary flexibility to satisfy their fiduciary obligation of managing their client's assets with the objective of portfolio safety and liquidity as paramount under ever-changing market conditions. In summary, our views on the reforms included in the Proposed Rule are as follows:

<u>Amendments to Remove Liquidity Fee and Redemption Gate Provisions</u>

- We support the removal of redemption gates for all money market funds. However, as a preferred alternative to swing pricing, liquidity fees could provide an appropriate and effective means to ensure the same regulatory outcomes, i.e. that the extra costs associated with raising liquidity to meet fund redemptions during times of market stress are borne by those responsible for them.

- The removal of redemption gates would mitigate the "first-mover" advantage issue and replacing gates with a transparent known liquidity fee construct would provide investors with greater transparency and certainty to better inform their liquidity decisions.

- The amount of any liquidity fee should be carefully calibrated in relation to a money market fund's actual cost of liquidity. The fees should be restorative, not punitive, and designed to deter early redemptions.

<u>Proposed Swing Pricing Requirement</u>

- Invesco strongly opposes the swing pricing proposal primarily because we believe it would not achieve the stated objectives of the proposed reform and is substantially inferior to the use of liquidity fees:

  - Swing pricing would not deter money market fund investor runs;

  - Swing pricing would significantly reduce the utility of the affected money market funds for the majority of their investors;

  - Swing pricing negatively impacts all investors in the funds, whether they redeem or not, by forcing increased unrealized losses due to the lower NAV;

  - Swing pricing would trigger a wide variety of unintended and undesirable consequences; and

  - Swing pricing would pose significant operational challenges.

- Importantly, if adopted, swing pricing would reduce investor choice as it would force some advisers to exit the institutional prime money market fund business, thereby increasing concentration risk in the market and driving investors to seek less attractive and potentially less transparent investment products.

<u>Amendments Related to Potential Negative Interest Rates</u>

- As noted in the Release, the Federal Reserve Board (the "**Fed**") has on multiple occasions expressed that a negative interest rate policy is not something they think is an appropriate monetary policy tool for the US, of which we agree, and for that reason, Invesco does not support requiring government and retail money market funds to determine whether financial intermediaries have the capacity to transact in fund shares at a floating NAV for what we view as a tail event.

- Invesco does not support government and retail money market funds transacting at a floating NAV in a negative interest rate environment.

- Invesco does support allowing money market funds to utilize an appropriate reverse distribution mechanism ("**RDM**") in a negative interest rate environment.

Amendments to Portfolio Liquidity Requirements

- Mandated minimum liquidity requirements serve to bolster investor confidence in the ability of money market funds to provide liquidity during prolonged periods of redemption pressure due to increased levels of immediate cash on hand, both on a daily and weekly basis, and increased transparency around portfolio liquidity.

- However, the proposed increased daily and weekly liquidity levels of 25 percent and 50 percent, respectively, are materially higher than current requirements and unnecessary in normal market environments. Invesco does support a higher minimum liquidity requirement but at a less punitive level—a daily minimum liquidity requirement of 20 percent and a weekly minimum liquidity requirement of 40 percent for all money market funds—in order to provide additional liquidity in times of stress. We believe that portfolios utilizing minimum daily and weekly liquidity percentages of 20 percent and 40 percent will still be able to provide a competitive yield to our clients and provide a source of funding to financial institutions and businesses in the front end of the curve.

Amendments to Form N-CR

- Invesco is not opposed to the proposed requirement for money market funds to file Form N-CR in the event a fund's liquidity falls more than 50 percent below a minimum liquidity threshold.

- However, we strongly support that these filings remain confidential to the Commission, as such a filing might trigger redemptions in a fund as investors would not necessarily have the proper context for the reason behind the decrease. Additionally, and most importantly, portfolio liquidity and other critical data are available to shareholders (and to the general public) on a daily basis.

Amendments to Form N-MFP

- While Invesco generally supports greater portfolio transparency for shareholders and enhanced reporting to the Commission, we do not believe that obligating money market funds to disclose client concentration levels on any regular basis would produce standardized cross industry data that can be utilized in a meaningful manner by investors or the Commission.

- We do not believe that shareholder ownership information submitted to the Commission should be disclosed to the public due to privacy concerns for shareholders and fund sponsors.

- Invesco recommends that required information be delivered to the Commission no later than the tenth business day following month end rather than the fifth due to the substantial amount of additional disclosure that would be required under the Proposed Rule.

Compliance Dates

- Invesco believes that a pragmatic extension of the compliance dates for the Proposed Rule is necessary to address significant technical and systems challenges required of fund companies for full implementation of the many components of the Proposed Rule.

- Invesco strongly recommends a compliance period of at least twelve months for any new or revised disclosure and reporting requirements, including any changes to Form N-MFP.

- We also strongly recommend an implementation period of at least two years for any swing pricing or related liquidity management requirements (or other final requirements related to changes to institutional prime and tax-exempt money market funds) and any changes related to the conversion of constant or stable NAV funds ("**CNAV**" funds) to floating or variable NAV funds ("**FNAV**" funds) (or other final requirements related to money market fund responses to a negative interest rate environment).

II. Amendments to Remove Liquidity Fee and Redemption Gate Provisions

Invesco strongly supports the proposal to remove fee and gate provisions from Rule 2a-7 for all types of money market funds. In March 2020, investor confusion and uncertainty were the main drivers of redemptions in prime money market funds during that period. Investors were less concerned about the price of their shares and more concerned about not having access to their shares as liquidity percentages fell closer to the 30 percent weekly liquidity level. The uncertainty surrounding potential gates was unacceptable to those investors who were bolstering their liquidity positions ahead of what was an unknown situation brought on by COVID-19. Invesco believes that it is the lack of transparency around potential fees and gates that breeds the uncertainty which instigates and prolongs runs.

Indeed, as a result, it is the case that the regulatory link between weekly liquid assets ("**WLA**") and provisions relating to the application of fees or gates made it effectively impossible for money market funds to draw down on the so-called 30 percent liquidity buffer. Invesco fully agrees with the ICI's assertion that "It is important to reiterate that [in March 2020] the 30 percent weekly liquid asset buffer became a floor that accelerated investor redemptions due to uncertainty about the imposition of liquidity fees or gates. To be a true buffer, it must serve as an extra source of liquidity in times of stress."[2] We strongly believe that removing fees and gates and delinking them from certain liquidity thresholds is the most appropriate change needed for institutional prime and tax-exempt money market funds.

The Commission appears to agree with this position, stating in the Release that "…the possibility of the imposition of a fee or gate appears to have contributed to incentives for investors to redeem and for money market fund managers to maintain weekly liquid asset levels above the threshold,

[2] ICI Comment Letter at 12.

rather than use those assets to meet redemptions."[3] Therefore, removing fees and gates from Rule 2a-7 should help to alter money market fund investors' perceptions of how money market funds operate and manage liquidity, remove perceived first-mover advantage and remove the incentive to pre-emptively redeem as money market funds' volumes of weekly maturing assets move towards the 30 percent threshold. Overall, this should contribute towards alleviating redemption pressures on money market funds, in particular during periods of macroeconomic and underlying financial market stress and would allow managers of such funds to draw down on liquidity buffers should they require it.

Money market funds would retain the ability to apply a redemption gate pursuant to Rule 22e-3 under the Investment Company Act of 1940 (the "**1940 Act**"), which permits a money market fund to suspend redemptions to facilitate an orderly liquidation of the fund. Invesco believes that if a money market fund needed to apply redemption gates pursuant to the current provisions of Rule 2a-7, it is unlikely such fund could fully recover in that situation and would more than likely need to proceed to full liquidation in any case. We agree with the Commission that "…the ability to suspend redemptions in these circumstances can help address the significant run risk and potential harm to shareholders."[4] In addition, a money market fund would also be able to apply a redemption fee of up to 2 percent of the value of the shares redeemed, pursuant to Rule 22c-2 under the 1940 Act upon a determination of the fund's board that such fee is necessary or appropriate to recoup for the fund the costs it may incur as a result of those redemptions or to otherwise eliminate or reduce so far as practicable any dilution of the value of the outstanding securities issued by the fund.[5] We therefore believe that the removal of fee and gate provisions from Rule 2a-7 would not preclude a money market fund from deploying these defenses in specific situations but would remove the link between WLA and the implementation of a liquidity fee or redemption gate. Invesco supports the removal of the fee and gate provisions of Rule 2a-7 to be immediately effective upon finalization of any proposed reforms. Invesco does support, however, a calibrated liquidity fee framework as an alternative to the swing pricing proposal, as further described below.

III. Proposed Swing Pricing Requirement

Invesco is strongly opposed to the use of swing pricing in any type of money market fund. Money market funds are designed to hold a large percentage of their portfolios in highly liquid assets to meet redemptions with minimal transaction costs. In fact, institutional prime and tax-exempt money market funds in particular are managed to accommodate large redemptions and subscriptions while not disadvantaging other fund shareholders. Money market fund sponsors and their portfolio managers build relationships with their institutional clients, perform extensive know your customer ("**KYC**") due diligence (as a result of the 2010 Rule 2a-7 reforms) and manage their portfolios to provide liquidity around payroll cycles, tax payment dates and the historical patterns of redemptions and subscriptions of their clients. In fact, looking at flows leading into March 2020, it is evident that many of the redemption patterns were associated with February

[3] Release at 28.

[4] Release at 32.

[5] Release at 39; *see* 17 CFR 270.22c-2.

month end redemptions, preparations for mid-March tax dates and the upcoming March quarter-end. It is unfortunate that normal redemption patterns were mistaken as broader redemption pressure, which subsequently led to more redemptions due to uncertainty around potential gates. Any measures taken by a money market fund to prevent runs should be designed for extreme circumstances, not for day-to-day transactions under normal market conditions, which may involve very large redemptions.

The SEC issued Rule 22c-1 (the "**Swing Pricing Rule**") in 2016 that permitted, but did not require, the use of swing pricing in open-end funds. The Swing Pricing Rule had an extended compliance date of two years to "allow the industry to develop and implement standardized operations solutions for swing pricing that likely would result in lower costs, processing efficiencies and reduced operational risks that ultimately benefit investors."[6] It is evident from the commentary within the Swing Pricing Rule release that the SEC expected swing pricing to become gradually adopted in the US. However, since that time we are not aware of any US-based open-end mutual funds that utilize swing pricing and no standardized operations solutions have evolved. This strongly signals that there has been little appetite for swing pricing among fund sponsors in the US, and investors have not demanded it as a protection against dilution.

In contrast, European managers of some EU-domiciled open-end investment funds (both UCITS and alternative investment fund structures) do use swing pricing, among other anti-dilution mechanisms, to help mitigate the potential dilution of fund shareholders due to large share purchases or redemptions. However, it should be emphasized that swing pricing is not utilized for EU-domiciled money market funds. Indeed, not only is swing pricing inherently incompatible with CNAV money market funds, it is also irreconcilable with valuation rules for FNAV money market funds in Europe given the way in which assets within the FNAV money market funds are valued (i.e., using the mark-to-market model and on a bid basis)[7]. Instead, managers of EU-domiciled money market funds can apply liquidity fees as a means to externalize the cost of liquidity to redeeming investors and to mitigate any potential first mover advantage, in particular during periods of underlying market stress.

A. Swing pricing does not address the fundamental underlying market-wide structural issues and will not stop a run on money market funds.

Invesco opposes the use of swing pricing in money market funds for numerous reasons. First and foremost, Invesco does not believe that requiring institutional prime and tax-exempt money market funds to use swing pricing addresses the fundamental underlying market-wide structural issues experienced during the March 2020 liquidity event. Uncertainty brought on by the COVID-19 virus led to volatile markets, with equity and fixed income markets showing signs of stress as early as mid-February, which unfortunately, constrained bank and dealer balance sheets well before pressure began to build in the short-term markets. Investors' ability to raise additional liquidity

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[6]Investment Company Swing Pricing, SEC Release No IC-32316 (October 13, 2016) at 18.

[7] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds ("the "**EU MMFR**") Article 29(3)(a) states that "assets shall be valued using mark-to-market whenever possible" and that, when using this accounting method, "assets shall be valued at the more prudent side of bid and offer…" thus effectively precluding the use of swing pricing.

was difficult by this point, as the requests for liquidity were met with constrained capital and risk limits in the intermediated markets. Per the SEC PWG Report, "[t]he stresses were most apparent in markets that are principally dealer-intermediated, including markets for municipal securities, corporate bonds, and short-term funding."[8] Requiring money market funds to use swing pricing would not, in our view, have had a direct impact on the way in which underlying markets operate and would not have increased the limited capacity of banks to act as dealers nor incentivize dealers to provide liquidity.

Money market funds did not cause the market instability in March 2020. Uncertainty around gating issues caused institutional money market fund investors to begin redeeming shares. Invesco strongly believes that investors were less concerned about the price of their shares than the possibility of not having access to their shares (in case a redemption gate was utilized). Regardless of market stress, swing pricing, in particular a downward swing in share price, will not act as a sufficient deterrent for shareholders who want to make large redemptions.

We therefore do not believe that the application of swing pricing will change investor behavior, as downward adjustments to the share price—which in most circumstances are likely to be negligible, particularly because most funds use bid pricing—are not likely to meaningfully deter shareholders seeking liquidity. In fact, the SEC's own staff did not find a correlation between market prices and institutional prime fund redemptions during March 2020.[9]

B. Implementation of swing pricing would require industry-wide infrastructure changes to affect the timing of the trade delivery and would fundamentally change the characteristics of money market funds that investors value.

Requiring money market funds to use swing pricing would eliminate the T+0 same day settlement mechanism, a characteristic of money market funds which our clients value highly, with the operation of the stringent governance framework that would need to be put in place to regulate the use of swing pricing. If money market funds were required to use swing pricing, it is unlikely that timing of trade delivery would permit the completion of a process to affect the pricing change in time to offer same day settlement to all investors and this would undermine one of the fundamental characteristics of the money market fund investment proposition. The changes that would be made to institutional prime and tax-exempt money market funds as a result of swing pricing would fundamentally change products that are the cash management vehicle of choice for corporations, government entities, foundations, endowments and other organizations seeking a stable, short-term investment offering a competitive yield to facilitate payroll processing and other day-to day functions.

There are several obstacles and consequences to implementing swing pricing for US mutual funds, including institutional prime and institutional tax-exempt money market funds supported by financial intermediaries:

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[8] ICI comment letter on the President's Working Group ("**PWG**") Report on Money Market Funds (April 12, 2021).

[9] Release at note 48.

- The US mutual fund operational structure required for swing pricing is not currently available, and perhaps not feasible. Invesco's experience suggests that reasonably accurate net flow information must be available to calculate the swing threshold (the purchase/redemption level at which swing pricing would be activated) sufficiently in advance of calculating the swing factor and the NAV. Most money market funds would not have the necessary and complete flow information to determine if there are net redemptions and the amount of those net redemptions. Estimates based on interim feeds received from the transfer agent or distributor prior to the NAV calculation are insufficient; the net flow can swing wildly intraday making an estimate unreliable. In order for swing pricing to operate most efficiently and fairly for shareholders, application of swing pricing and calculation of the swing threshold should be based on quantitative, automatable data, rather than unreliable estimates, to alleviate potential errors and certain liability concerns.

- Under the proposed swing pricing regime, earlier trading cut-off times would need to be established and this would eliminate a feature of money market funds that attracts investors and further impacts the ability to maintain T+0 settlement, a key characteristic of money market funds. Establishing an earlier cut-off for intermediaries to send transaction data and setting a fund's NAV at a later time would resolve these operational blocks; however, these would be fundamental changes for fund sponsors and intermediaries and require significant and costly system changes across the industry. Industry participants are not likely to make these changes voluntarily.[10]

- Many money market funds have multiple NAV strikes per day; Invesco Liquid Assets Portfolio, for example, has three strikes per day at 8:00 a.m., 12:00 p.m. and 3:00 p.m. (all times Eastern). A fund with multiple NAV strikes per day would need to calculate the swing factor multiple times per day (or reduce the number of strikes). It will be challenging for funds to gather the required data, including determining if the fund had net redemptions for each pricing window and make the necessary swing pricing calculations in multiple short time frames (as an example, for Invesco Liquid Assets Portfolio, the time frame is three or four hours). The multiple NAV strikes are another unique feature of institutional prime and tax-exempt money market funds that draw investors to these products.

- Money market funds with multiple strike times will have varying levels of flows throughout the day. A likely scenario is that redemptions would be higher earlier in the day, and subscriptions would be higher later in the day, resulting in net subscriptions for the day or a level of net redemptions that would not trigger swing pricing. Therefore, if swing pricing was triggered after the first strike time due to heavy early redemptions, those redeeming shareholders are effectively penalized. This is not an appropriate result.

- Invesco, like most sponsors of money market funds, caters to clients across the US. Clients in different time zones, particularly on the west coast, require flexibility regarding trading cut-off times and multiple strikes per day in institutional prime funds. Earlier cut-off times

[10] Invesco supports the findings regarding how the industry distribution model in the US and the use of intermediaries complicates the use of swing pricing in the ICI's paper, "Evaluating Swing Pricing: Operational Considerations" (November 2016).

may effectively eliminate institutional prime money funds as an investment option for these clients and therefore, unfairly eliminates an important investment option solely due to time zone differences.

- There would be initial and continuing costs for funds and fund sponsors to implement swing pricing. Not all of these costs would be able to be fully absorbed by fund sponsors, making money market funds more expensive and less attractive for investors. Such costs include, but are not limited to, the following:

  - Changes and upgrades to internal and external operating systems (likely the most time-consuming and expensive element);

  - Creation of swing pricing policies and procedures and determination of a swing pricing administrator;

  - Acquisition of market data from outside sources if money market fund portfolio managers are unable to provide information and expertise to the swing pricing administrator; and

  - Composition of new and likely complex disclosure for prospectuses, statements of additional information and other shareholder reports and communications, and corresponding shareholder education.

- Due to the implementation costs and ongoing requirements, smaller fund sponsors would be forced to exit the business. Even larger fund sponsors might be compelled to liquidate their institutional prime and institutional tax-exempt money market funds, quelling competition and leaving investors with a smaller number of options.

- The tax and accounting implications of the proposed swing pricing requirement are unclear and could increase burdens for shareholders. Invesco believes the SEC needs to address the following questions in any final rulemaking:

  - What are the consequences to shareholders regarding use of the NAV method of accounting for gain or loss on shares in a floating NAV money market fund or the exemption from the wash sale rules for redemptions of shares in these funds?

  - Will any final money market fund rulemaking ensure that shareholders will be able to classify their investments in money market funds as cash equivalents for purposes of US GAAP?

C. **Swing pricing would lead to inequitable consequences for some redeeming shareholders.**

Most importantly, we need to consider what is in the best interest of money market fund shareholders. We believe that swing pricing would be confusing and challenging to understand for investors. In addition, not all redemptions are "created equal." For example, an institutional shareholder redeeming a relatively small number of shares at the same time another institutional shareholder redeems a significant percentage of shares would transact at the same swing price even though the first shareholder's redemption by itself would not have triggered the swing pricing mechanism, thereby punishing the shareholder with the smaller redemption amount. This is certainly not an equitable result. We agree with other commenters that "imposing an additional cost through swing pricing would not materially affect investor behavior, particularly because an investor does not know at the time of placing its order whether the fund will adjust its NAV" and that "swing pricing would reduce investor interest in money market funds."[11] Shareholder transparency is reduced through the use of swing pricing, as shareholders would be unaware if a swing factor would be applied when they place an order to redeem shares. A liquidity fee construct, as described below, will provide greater transparency and a greater degree of certainty for investors.

Given the important role that money market funds play in providing an effective liquidity management vehicle for investors, and short-term funding to the wider economy, policymakers must also consider the potential impact of ineffective reforms and how, as a result, investors might instead seek to rely on other (potentially less transparent) products for their liquidity management needs. Not only could such a situation transfer potential issues/risks elsewhere in the market without mitigating them effectively, but it could have a significant impact on the short-term funding of the wider economy.

D. **Invesco supports a liquidity fee framework as an alternative to swing pricing.**

Invesco recommends an alternative to swing pricing for institutional prime and tax-exempt money market funds only, which is to apply liquidity fees that adequately reflect the cost to money market funds of accessing liquidity to facilitate redemptions, ensuring that shareholders who remain in the relevant fund are not unfairly disadvantaged when other shareholders redeem. As such, we do not see the need to consider operationally challenging alternatives such as swing pricing which seek the same outcome, i.e. to externalize the cost of liquidity of redemptions (or subscriptions where relevant) and to protect remaining (or existing) investors. Invesco recommends an alternative anti-dilution option of applying liquidity fees to redemptions that: (1) reflect the cost of liquidity; (2) potentially reduce first-mover advantage; and (3) act as a price adjustment. We believe that the liquidity fees would provide an appropriate and effective way of ensuring that the extra costs associated with raising liquidity to meet fund redemptions during times of market stress are borne by those responsible for them. Requiring fund investors to pay a fee when redeeming during periods of limited liquidity could also help to deter preemptive redemptions by investors seeking to gain a "first mover" advantage. These investors might be more inclined to remain in the fund and wait for the markets to stabilize. The imposition of money market fund liquidity fees would be feasible because they would be triggered only if a fund were experiencing severe liquidity stress and increased redemptions and would apply only to redeeming shareholders; shareholders that remain in the fund would not be disadvantaged. Under normal market conditions, fund shareholders will continue to enjoy unfettered liquidity for money market fund shares. We believe that, with the benefit of disclosure and education, investors ultimately will recognize that extreme

[11] Release at 57, citing Comment Letter of Fidelity Management & Research Company LLC (April 12, 2021) and Comment Letter of BlackRock, Inc. (April 12, 2021).

measures would be appropriate in these limited circumstances to protect the fund's shareholders generally.

We believe that the amount of any liquidity fee must be carefully calibrated in relation to a money market fund's actual cost of liquidity. Additionally, we agree with the Commission that it is important for institutional funds to use a uniform approach to impose liquidity costs on redeeming investors—it would be impractical and confusing for some institutional money market funds to utilize swing pricing and others to utilize liquidity fees. In short, the purpose of the fees should be restorative, not punitive. Our experiences during the 2008 financial crisis and the March 2020 liquidity event indicate that an initial default liquidity fee level of 2 percent would be excessive since it is far higher than the actual cost of liquidity paid by money market funds even at the height of the financial crisis.

It is also important to note that a liquidity fee framework has never been truly tested as a standalone anti-dilutive measure—liquidity fees have been viewed in lockstep with redemption gates and therefore assumed ineffective in times of market stress. With the removal of redemption gates, an appropriately calibrated liquidity fee would allow portfolio managers to utilize the liquidity structure that is inherent to money market funds—**to meet redemptions with available portfolio liquidity**.

Invesco primarily supports the discretionary liquidity fee framework described by the ICI and SIFMA in their respective comment letters.[12] In this proposal, a fund's board of directors would be required to consider certain enumerated factors when deciding whether to implement a liquidity fee, subject to a determination that implementing fees is in the best interests of the fund and its shareholders and is necessary to prevent material dilution or other unfair results.[13] We agree with the ICI that this approach would give fund boards the discretion to assess current market conditions and determine a fee that best approximates the actual cost of liquidity. A fund's directors are uniquely positioned and knowledgeable about the funds subject to their oversight and also have the fiduciary responsibility to apply a fee based on a fund's specific circumstances and in the best interest of shareholders.

In the alternative, Invesco would also be supportive of a liquidity fee framework that could be automatically triggered based on net portfolio redemptions <u>and</u> current portfolio liquidity levels. As similarly described in the ICI and SIFMA comment letters, the first trigger would be based on net redemptions. We believe a net redemption level of 10 percent per day is appropriate. While it is not unusual for a money market fund to experience net redemptions of 10 percent or more in normal market conditions, the second trigger of a certain level of liquidity in the fund (for example, when a fund's liquidity has decreased more than 50 percent below its minimum WLA requirement) would likely ensure that the liquidity fee was being applied during a time of market stress. Then when <u>both</u> triggers are met, a predetermined and static fee (for example, 1 percent), would be applied to redeeming investors.

[12] ICI Comment Letter at 25; SIFMA Comment Letter at 30-31.

[13] ICI Comment Letter at 25.

This proposed liquidity fee framework would provide a much more accurate measure of when a fund may come under stress (due to either market circumstances or fund-specific stress), as it is based on a combination of liquidity and net redemptions. Investors are able to monitor current liquidity levels and shareholder purchases and redemptions on a fund's website, providing a great deal of transparency as to when investors might be charged a liquidity fee. However, not having access to intraday shareholder flows eliminates any pre-emptive trigger event behavior. Importantly, this framework is more in line with how money funds are managed—liquidity is increased well above minimums as needed around key funding dates or client needs—allowing managers to manage and utilize liquidity without the threat of gates or unnecessary fees during normal times.

We agree with the Commission's assessment of the potential benefits of a liquidity fee structure, including that liquidity fees would provide greater transparency for redeeming investors of the liquidity costs they are incurring, and provide a mechanism for imposing liquidity costs directly on redeeming investors, without providing a discount to subscribing investors through a downward adjustment of the fund's transaction price that also must be taken into account to fully address dilution.[14] We also fully agree that if liquidity fees are assessed after a fund's NAV is struck, it could reduce the operational challenges and time pressures of swing pricing and allow affected money market funds to charge the ex post trading costs to redeeming investors.[15] We disagree however with the Commission's assessment that a swing pricing requirement has operational advantages over liquidity fees. Many money market fund sponsors, including Invesco, already have the operational framework in place to charge liquidity fees to shareholders as a result of the 2014 revisions to Rule 2a-7.

IV. <u>Amendments Related to Potential Negative Interest Rates</u>

Government money market funds provide an important liquidity vehicle for retail and institutional investors, and in reviewing investor behavior during and since the 2020 COVID-related liquidity event, the portfolios have performed well. As such, Invesco believes any additional reforms to these products are simply unnecessary. If government money market funds and other CNAV money market funds converted to a floating NAV in a negative interest rate environment (as further described below), the utility of these money market funds would be significantly reduced by eliminating one of the features most important to the majority of their investors: the stable or constant NAV. As mentioned in this Comment Letter, it is important to note that money market funds serve a fundamentally different purpose for their investors than most investments—they are generally used as a cash management tool. The importance of money market funds' role as a cash management tool is demonstrated by the fact that they have continued to maintain a substantial asset base—over $4 trillion as of the end of December 2021—despite paying very low yields for several years.

[14] Release at 60.

[15] Release at 231.

The Proposed Rule does not include amendments to the pricing provisions of Rule 2a-7; therefore, if negative interest rates turn a CNAV fund's gross yield negative, the fund's board may reasonably believe the stable share price does not fairly reflect the market-based price per share, as the fund would be unable to generate sufficient income to support a stable share price. The fund would not be permitted to use amortized cost and/or penny-rounding accounting methods to seek to maintain a stable share price and the board could reasonably require the fund to convert to a floating share price to prevent material dilution or other unfair results to shareholders.

In the absence of any amendments to the pricing provisions of Rule 2a-7, the Proposed Rule would instead require government and retail money market funds to confirm that they can fulfill shareholder transactions if they convert to a floating share price (by determining that financial intermediaries that transact in the fund have the ability to redeem and sell shares at prices that do not correspond to a stable price per share). This would effectively require government and retail money market funds to convert to a floating NAV in a negative interest rate environment and leave these funds with no other tools to respond in such an environment.

For government and other CNAV money market funds, adoption of floating NAVs under any circumstances would render these funds unsuitable as a cash management tool for the majority of their current investors due to the formidable and costly administrative burdens that it would create. Furthermore, many governmental and institutional entities are limited by statute or their investment guidelines to investing only in stable NAV products and would therefore effectively be barred from investing in CNAV money market funds if they adopted a floating NAV.

Therefore, Invesco strongly opposes the components of the Proposed Rule that: (1) require government and retail money market funds to determine that financial intermediaries that submit orders to a money market fund have the capacity to redeem and purchase fund shares at a floating NAV; (2) would for all practical purposes require government and retail money market funds to convert to a floating NAV in a negative interest rate environment; and (3) prohibit money market funds from reducing the number of its shares outstanding to seek to maintain a stable NAV per share, including using RDM.

A. Invesco does not support requiring government and retail money market funds to determine that financial intermediaries have the capacity to transact in fund shares at a floating NAV.

Invesco recognizes that the current iteration of Rule 2a-7 does not provide guidance on how money market funds should transact during a negative interest rate environment, and perhaps the most prudent approach is to ensure that money market funds have a clear path to follow in this situation. However, in the US the Fed has not yet ever implemented a negative interest rate policy. Even during the COVID-19-related financial crisis of 2020, the Fed determined to set short-term interest rates at zero and did not "go negative." Invesco believes that the proposed requirement for fund sponsors to determine whether intermediaries can support a floating NAV in a negative interest rate environment requires far too much preparation and cost for an event unlikely to happen in the US, even during times of severe economic stress.

The conversion of government and other CNAV money market funds to floating NAV funds would raise a variety of significant operational challenges due in large part to the interdependencies of the various users of money market funds. There is a broad array of money market fund stakeholders with different roles and needs, including corporations, states, municipalities, universities, government sponsored enterprises, Tribal governments, treasury management systems, custodians, fiduciaries, money market fund portals and other brokers, fund advisors, fund transfer agents, sweep account providers, and fund accounting departments. Many of these parties interact with one another when purchasing, redeeming, holding or administering money market funds. For example, fund advisors depend on transfer agents to process transactions. Broker-dealers interact with fund advisors and transfer agent systems. Investors are dependent on both cash management system providers and sweep and treasury services systems. While some tasks can be completed concurrently, because of the sequential nature of moving a money market fund transaction through multiple systems controlled by multiple organizations, not all of the work can be completed in parallel. Large blocks of reprogramming would need to be performed sequentially and then be tested to ensure that the many systems interfaces perform together properly.

Even if the above operational challenges were able to be addressed by the various money market fund stakeholders, Invesco does not support a proposal that requires money market fund sponsors to police the rest of the money market fund industry infrastructure. We believe it is highly unlikely that financial intermediaries would be willing to bear the high cost of readying their platforms for an event that in all likelihood would not ever take place. Most intermediaries already have infrastructure in place for the "sweep" platforms that carry government and retail money market funds and these systems are not designed to accommodate any transactions except for those at $1.00 per share. Therefore, if fund sponsors are required to determine that financial intermediaries that submit orders to a money market fund have the capacity to transact in shares of that fund at a floating NAV, and the intermediaries are unable or unwilling to do so (as we believe most of them will be), the effect on the government and retail money market sector will be devastating.

B. Invesco does not support the conversion of government and retail money market funds to floating NAV funds in a negative interest rate environment.

We also strongly believe that prohibiting CNAV funds from utilizing RDM and essentially requiring government money market funds to convert to FNAV funds in a negative interest rate environment will cause investors to exit these funds in the same manner that prime money market funds investors fled to government money market funds in 2016 when the possibility of the utilization of fees and gates was introduced. In the absence of alternative stable NAV investments, cash held in government money market funds would presumably flow to traditional banks. We would expect this to result in a significant reduction in the supply of short-term credit to corporate America, resulting in a less efficient and more expensive short-term credit market. Moreover, as the Commission acknowledges, the Proposed Rule may impose significant operational burdens and costs on investors, such as the creation of tax complexities for some retail investors and the loss of popular cash management tools such as checkwriting and wire transfers that are offered through these money market fund accounts.

We believe converting to a floating NAV may adversely impact liquidity and add operational complexities and costs. Liquidity is a hallmark of CNAV government money market funds. Upon converting to a floating NAV, in order to maintain intraday liquidity, these funds would then also need to switch to multiple strike times, adding operational complexity and costs. We believe this operational complexity may force additional funds to liquidate and/or compel investors that require intraday liquidity to seek other alternatives, further limiting investor choice.

The Proposed Rule also does not provide a framework for government and retail money market funds to "convert back" to CNAV funds once a zero or positive interest rate environment is reestablished. Switching back to a stable NAV, and then potentially back again to a floating NAV also causes a number of issues: (i) how this is meant to be disclosed to shareholders in a fund prospectus and/or through supplements; (ii) the tax and accounting implications this could have for investors; and (iii) the assumption that a negative interest rate environment would be temporary and perhaps very short-lived. In that case, investment products that currently have over $4 trillion in assets in the US will, in the best-case scenario, unnecessarily transform on a temporary basis, and, in the worst-case scenario, irrevocably change due to a temporary market dislocation, further curtailing the variety of financial vehicles available to investors.

C. Invesco does not support prohibiting money market funds from using RDM.

Invesco does support allowing money market funds to utilize an appropriate RDM in a negative interest rate situation. RDM would "distribute" a negative yield (which equates to a decline in the fund's net assets) in a government or retail money market fund by reducing each shareholder's total number of fund shares. The fund would maintain its stable share price despite losing value. Money market fund sponsors in the US have already done a great deal of research and planning regarding the use of RDM following the events of March 2020. In late 2020, many money market fund sponsors, including Invesco, provided their views and recommendations to the ICI regarding RDM. The findings, which identified RDM as the most operationally feasible alternative for a CNAV fund in a negative yield environment, were published in an ICI White Paper. [16] Invesco is supportive of the findings in the White Paper, which details recommended practices and a path for successful implementation of RDM.

Invesco believes that RDM is a much better alternative than the conversion of CNAV funds to FNAV funds for the following reasons:

- RDM is less confusing for investors. It will be a straightforward process to craft "plain-English" disclosure regarding RDM mechanics for money market fund registration statements and provide appropriate investor education;

- RDM could preserve intraday liquidity for large institutional investors seeking to limit daylight overdrafts in the banking system;

- RDM would not cause tax or accounting issues for investors;

- RDM would be utilized on a temporary basis during the anticipated short-lived nature of the market dislocation and would not change the characteristics of the government and retail money market funds that investors value the most;

[16] Reverse Distribution Mechanism and Negative Yields: Considerations and Recommended Practices, ICI Operations, December 2020 (the "**White Paper**").

- The mere possibility that a government or Treasury money market fund could convert to a floating NAV fund will likely cause investors to preemptively flee to other types of investment vehicles; and

- Government, Treasury and similar stable NAV money market funds are widely used as "sweep vehicles" for investors due to the $1.00 constant share price. Conversion of these funds to FNAV funds would eliminate this useful tool and further reduce investment vehicle options for investors.

While the goal of the Proposed Rule is to create transparency for investors in stable NAV funds in the event of negative yields, Invesco strongly believes that such transparency can be created in another more easily digestible and operationally feasible manner.

V. Amendments to Portfolio Liquidity Requirements

Invesco believes that the mandated liquidity requirements of Rule 2a-7 serve to bolster investor confidence in the ability of money market funds to sustain prolonged redemption pressures with increased levels of immediate cash on hand, both on a daily and weekly basis. In addition, minimum liquidity requirements ensure that money market funds would have a sufficient liquidity buffer in times of market stress and reduce the likelihood of a run. We agree with the Commission that "these liquidity buffers provide a source of internal liquidity and are intended to help funds withstand high redemptions during times of market illiquidity."[17] However, the 25 percent daily and 50 percent weekly liquidity requirements that have been proposed for money market funds (except for tax-exempt money market funds) are too high. The removal of fees and gates (and their link to current fund liquidity requirements) will allow fund managers to use the most liquid assets in their funds to meet redemptions. We instead agree with the proposal laid out by the ICI and SIFMA, which advocates for a daily minimum liquidity requirement of 20 percent and weekly minimum liquidity requirement of 40 percent for all money market funds which, as the ICI notes, is consistent with what most public prime money market funds already maintain as a matter of conservative liquidity risk management.[18]

An appropriately tailored liquidity threshold should allow for adequate flexibility to provide liquidity to clients as needed while still providing enough flexibility for managers to extend out the curve when appropriate, providing needed financing to businesses and financial institutions, protecting shareholders from decreases in market yields and providing a return that is differentiated from similar government strategies. The proposed liquidity levels in Invesco's view would negatively impact the yields of prime and tax-exempt institutional money market funds making it more challenging for prime funds to be differentiated from other types of money market funds.

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[17] Release at 11.

[18] ICI Comment Letter at 28; SIFMA Comment Letter at 11.

VI. Amendments to Form N-CR

Invesco is not opposed to the proposed requirement for money market funds to file Form N-CR in the event a fund falls more than 50 percent below a minimum liquidity threshold. We have the appropriate internal processes in place to file Form N-CR as a result of the 2014 money market fund reforms and we understand the Commission's interest in monitoring changes in liquidity levels. However, we strongly support that N-CR filings made due to a decrease in a fund's liquidity remain confidential to the Commission, as such a filing might trigger redemptions in a fund as investors would not necessarily have the proper context for the reason behind the decrease. Money market funds are highly transparent to investors and are already required to post daily and weekly liquidity levels on their websites, and we believe this ongoing reporting provides sufficient information for money market fund investors regarding a fund's liquidity.

VII. Amendments to Form N-MFP

The Proposed Rule would add several new disclosure items to Form N-MFP, which is filed monthly and publicly available. Invesco appreciates the utility to the Commission of certain of these changes as it seeks to enhance standardized monthly reporting by money market funds and improve the Commission's ability to monitor money market funds; however, we have concerns about certain of these changes due to the non-confidential nature of Form N-MFP and the availability of some of the requested information. We disagree with the Commission's assertion that the proposed amendments will not add significant burden hours for filers of Form N-MFP.

The Proposed Rule would require money market funds to disclose the name and percentage ownership of any person that beneficially owns more than 5 percent of the shares of any share class of a money market fund, and for non-government institutional money market funds, the Proposed Rule would require the fund to identify the percentage of investors belonging to certain categories of investors (e.g., nonfinancial corporations, pension plans, etc.). We do not believe that obligating money market funds to disclose client concentration levels to the Commission on any regular basis would produce standardized cross industry data that can be utilized in a meaningful manner by investors or the Commission given the variability in how fund complexes classify clients or client relationships. It should also be noted that client concentrations change frequently as clients sweep assets in and out of money market funds at different times and in response to different end-user liquidity needs. The information could therefore be obsolete by the time the Commission had an opportunity to assess it. Furthermore, depending upon the nature of the money market fund account, the fund company's transfer agent may not be able to identify an account's ultimate shareholders.

While Invesco supports greater portfolio transparency for shareholders and enhanced money market fund reporting to the Commission, we do not believe that shareholder ownership information submitted to the Commission should be disclosed to the public. First, it is a privacy issue for shareholders and clients. Certain shareholder information may be available via other filings, but the frequency of the availability of this information and transparency to the public may be problematic for shareholders. Second, it is anti-competitive, as other fund sponsors would have a window on shareholder composition of the Invesco money market funds and vice versa.

If the proposed changes to Form N-MFP are codified, we do recommend that the categories of investors match up with the current NSCC social codes, which are utilized by Invesco and many other money market fund sponsors to identify retail and institutional investors.

The Proposed Rule would also add several new components to Form N-MFP, requiring a substantial amount of additional disclosure, including the following: (1) the amount of portfolio securities a prime money market fund sold or disposed of during the relevant month, excluding securities held until maturity; (2) more frequent data points for information currently reported on Form N-MFP (e.g., in Part C, separate information for the initial acquisition of a security and any subsequent acquisitions of the security); and (3) information about repurchase agreement transactions that is not currently disclosed.

Invesco requests that the Commission reconsider the operational complexity of posting such information and recommend that required information be delivered to the Commission no later than the tenth business day following month end rather than the fifth. Currently, certain other regulatory forms filed by some Invesco funds require substantially less information to be provided but more time is given to make the filing. For example, the filing deadline for quarterly Form PF is 15 calendar days following quarter end. Moreover, the information that would be required on Form N-MFP is typically housed on disparate recordkeeping systems. Administratively, compiling the level of detail requested in the Proposed Rule even ten business days after month end will require a significant transition period to both enhance automation and engage additional manual resources. While we believe these enhancements and costs are necessary in order to provide this data to the Commission, we also believe pushing back the delivery date by five additional business days will reduce the risk of error in the information ultimately delivered to the Commission and save valuable time that would be spent in the correction/resubmission of Form N-MFP.

VIII. <u>Compliance Dates</u>

We believe the Commission has significantly underestimated the time and cost it would take to implement the changes set forth in the Proposed Rule. Existing infrastructure that supports money market funds, including systems that support transfer agency, trading, tax, accounting and valuation, would need to be overhauled to various degrees. For example, disparate systems provide data required to compile the information for Form N-MFP and an extensive amount of customized reporting will need to be created and fund sponsors need to develop the appropriate processes and controls to ensure an appropriate mechanism to deliver the information accurately and expediently. Accordingly, if the Proposed Rule is adopted we strongly recommend that the Commission provide an implementation period of **at least twelve months** for any new or revised disclosure and reporting requirements, including the proposed changes to Form N-MFP. In addition, new infrastructure would need to be put in place to implement unprecedented requirements with operational challenges, primarily those for swing pricing and the potential conversion of certain CNAV funds to FNAV funds in a negative interest rate environment. We also strongly recommend that the Commission provide an implementation period of **at least two years** for the proposed swing pricing requirements and any changes related to the conversion of CNAV to FNAV funds. The compliance dates for prior rounds of money market fund reform allowed for lengthier compliance periods; the 2014 reforms had a compliance date that was two years from the effective date for the most complex components of the new regulations, including implementation of fees and gates and converting certain CNAV funds to FNAV funds.

IX. Conclusion

Money market funds continue to meet investor needs, even during periods of severe market stress such as were seen in March 2020. A significant contributing factor to the general resilience of money market funds is undoubtedly the reforms that have been put in place in recent years. While there is a need to enhance the effectiveness of the framework governing the operation of money market funds in certain areas, it is clear from an assets under management perspective (the size of the money market fund sector has grown significantly in recent years) that investors are reassured by the general strength and transparency of the regulatory and supervisory framework applicable to money market funds in the US.

Due in large part to the periodic review and revision of Rule 2a-7, money market funds are safer and more transparent than any other type of mutual fund, which is a benefit not only to investors but also to regulators to help track and monitor risks in what can be an opaque market. The short-term funding markets will always exist in some form and having a transparent market participant with the structure and characteristics of money market funds provides a benefit to all market participants. Fundamental changes to money market funds will certainly have the unintended consequences of driving investors to less transparent and less regulated products that will invariably cause investors to take on more risk. However, it is critical to note that reforms that make money market funds less viable from a business perspective, more bank-like in nature, and less competitive from a yield perspective will in effect eliminate the usage and efficacy of money market funds and not eliminate any short-term funding risk in the markets.

As a leading provider of money market funds, Invesco strongly supports the Commission's efforts to strengthen this critically important product in a manner that enhances its stability while retaining its fundamental characteristics and continued utility for investors. Any such efforts must begin with a clear understanding of the policy goals they are intended to achieve and an appropriate set of evaluative criteria to be applied to each proposed component. The implementation of swing pricing would fail to achieve the Proposed Rule's aim of preventing and mitigating investor runs. Furthermore, it would generate significant costs and administrative burdens that could cause large numbers of money market fund investors, sponsors and service providers to reconsider their willingness to use institutional prime and tax-exempt money market funds. The proposal to essentially require CNAV money market funds to implement floating NAVs in a negative interest rate environment has the potential to devastate the industry by creating uncertainty about the very nature of the product, leading investors to abandon CNAV money market funds en masse as they abandoned prime money market funds in 2016. We respectfully request the Commission to consider carefully our views on this matter and to pursue only those reforms that advance its expressed policy goals while preserving the viability of money market funds, which have served investors' cash management needs ably for decades.

Invesco commends the Commission for its efforts to provide meaningful money market fund reform and we appreciate the opportunity to comment on this proposed rulemaking by the Commission, as well as the Commission's consideration of our Comment Letter. We are available to discuss our comments or provide any additional information or assistance that the Commission might find useful.

Sincerely,

Invesco Ltd.

L Brignac

Laurie Brignac
Head of Global Liquidity
[redacted]