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May 26, 2022

Chairman Gary Gensler
Securities and Exchange Commission
100 F Street, NW
Washington, DC 20549

VIA OVERNIGHT MAIL

Dear Chairman Gensler:

Thank you, your team and the Staff that joined us on our call Tuesday. We very much appreciate having the opportunity to discuss the very important topic of preserving money market funds for the benefit of investors, issuers and markets.

At the outset, I made four points:

1. Swing Pricing is a plague on money market funds. It will finish off the task of regulating institutional prime funds “out of existence.” One trillion was taken out during the last round of changes and the remaining 300 billion will be largely taken out with swing pricing.
2. Discretionary Fees and Gates are the best answer. Ensuring fund boards have lots of tools in the toolbox is the best response, it has been endorsed by global regulators, including the FSB. Fund boards have, and will continue to, exercise their fiduciary duty, even in stressed markets. We understand regulating speed limits for fear that some would drive too fast, but imposing swing pricing (or adopting mandatory liquidity fees) is more like putting nails and rocks on the road to make it unusable. And please recall the Fed received 1% on all the \$53 billion of transactions and took no principal risk.
3. Simply fixing the mistaken linkage of 30% liquidity with fees and gates is the best thing to do and the only fix supported by data. Please do not create another threshold mistake. Fix the problem and declare victory.
4. Forget the 4 digit requirement on government mmfs because of the remote possibility of negative rates. This will simply have the effect of eliminating at least \$1trillion dollars of sweeps in government funds because the clients, as before, will choose not to retool. The result will be more dollars in low yield deposit products.

I also wanted to take this opportunity to follow-up on several of the questions raised in our discussion.

In explaining the basis for your considered vote on the proposal as it relates to swing pricing, you noted that in stressed markets something should be done to assign the cost of liquidity to redeeming shareholders. We agree that in stressed markets, if there is material dilution, action should be taken by a board to properly assign the cost of liquidity to redeeming shareholders. That said, the proposal does not align with your concerns on material dilution in stressed markets. The proposal calls for a swing price to be applied in all market conditions whenever redemptions are greater than 4%. This is not appropriate. Swing pricing will serve as a new trigger for redemptions and create more problems than solutions, while serving no other purpose than the demise of institutional prime and municipal money market funds.

Your specific concern regarding stressed markets is best addressed by targeted discretionary fees, if you can accept a board will do its duty. A discretionary liquidity fee, applied only in stressed markets where there is a risk of material dilution, is appropriate. A discretionary liquidity fee will not act as an accelerant for redemptions and can be calibrated at the time it is needed to most accurately apply the cost of redemptions to redeeming shareholders. I note the concern raised on regulating to the lowest common denominator, but we must also note that the cost of operating and compliance with money market fund regulations has led to a massive wave of consolidation, and we are now left with a concentrated market of only the largest financial service providers. See the enclosed list of top 25 with 99% of industry assets. The lowest common denominator analogy is not entirely appropriate for the institutional money market fund industry, especially given the complete transparency of money market funds to both regulators and investors.

Federated Hermes supports retention of gates as a tool for a board to consider and also supports the ability to apply discretionary liquidity fees. We recognize that some in the industry believe that gates, apart from a liquidation scenario, should not be retained. Our position, as discussed at length in our recent comment letter, is that it was the improper linkage of gates to liquidity levels that was problematic, and given the impossibility to predict the circumstances surrounding the next crisis, it is better to provide boards with more tools to consider in times of stress.

Additionally, our support of a discretionary liquidity fee approach, and our conviction that fund boards will implement fees in stressed markets, centers around liquidity fees being unencumbered by an improper linkage. One question posed in our discussion was why weren't liquidity fees utilized by fund boards in the liquidity crisis and one must remember current regulations only permit the imposition of liquidity fees if a funds liquidity falls below 30%. No board wanted to let liquidity fall below the required regulatory threshold, which would have exacerbated artificially high levels of redemptions, simply to be able to impose a liquidity fee. So, discretionary liquidity fees as applicable in the future are vastly different to liquidity fees as currently contemplated.

We also discussed the significant potential impact to the government mmf industry and the potential loss at least \$1 trillion to government funding. While it always remains possible that a few intermediaries may choose to modify their systems to accommodate a 4 digit NAV given the

higher interest rate environment, history, and all evidence to date, confirms that intermediaries will not modify their systems and they will take the path of least resistance and cease using government mmfs for sweeps.

Finally, I note that other than delinking, the proposals on swing pricing and RDM are not supported by any data and the imposition of these proposals without such support is arbitrary and capricious.

I very much appreciate your continued consideration of these very important points and we will continue to make ourselves available for any further follow-up discussions deemed appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Christopher Donahue". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

J. Christopher Donahue
President & Chief Executive Officer

Top 25 U.S. Asset Managers: Money Market Funds*As of April 30, 2022 - Rankings of U.S. Money Market Assets Only (excludes Fund of Funds and ETFs)*

4/22

Rank	Manager Name	Total Assets \$MM	Market Share %
1	Fidelity	\$796,498	18.26%
2	BlackRock	\$450,724	10.33%
3	JPMorgan Funds	\$434,637	9.96%
4	Goldman Sachs	\$385,075	8.83%
5	The Vanguard Group	\$352,883	8.09%
6	Morgan Stanley	\$270,011	6.19%
7	Federated	\$262,378	6.02%
8	BNY Mellon Inv Adv	\$220,838	5.06%
9	Allspring Fds Mgmt	\$169,758	3.89%
10	Northern Trust	\$165,322	3.79%
11	State Street Gbl	\$155,001	3.55%
12	Schwab	\$139,736	3.20%
13	US Bancorp	\$122,166	2.80%
14	Invesco	\$114,217	2.62%
15	Franklin Templeton	\$42,743	0.98%
16	HSBC Gbl AM USA	\$37,580	0.86%
17	DWS Asset & Wealth	\$35,388	0.81%
18	UBS Asset Mgmt Inc	\$34,910	0.80%
19	Edward Jones	\$34,081	0.78%
20	T Rowe Price	\$25,413	0.58%
21	American Funds	\$24,655	0.57%
22	SEI	\$15,486	0.36%
23	RBC Global AM US	\$15,371	0.35%
24	Wilmington Tr Inv	\$8,714	0.20%
25	Jackson National	\$6,386	0.15%
	Industry Totals	\$4,361,710	100.00%
	Top 25 As Pct Total Industry		99%

Source: ISS Market Intelligence (SIMFUND)