

ICI Responds to the President's Working Group Report on Potential Options for Money Market Fund Reforms

Policymakers should conduct holistic review of short-term funding markets before considering reforms to further bolster money market funds' resilience

Washington, DC; April 12, 2021—ICI President and CEO Eric J. Pan issued the following statement regarding ICI's [letter](#) to the Securities and Exchange Commission's request for comments on potential options for money market fund reforms as detailed in the President's Working Group (PWG) report.

"Policymakers seeking to address the COVID-19 market turmoil should be prudent in placing new rules on money market funds. ICI's new data and analysis challenge the narrative that money market funds caused or amplified the stress in the short-term funding markets in March 2020. As such, it is important to examine how last year's events, market structure, and the actions of *all* market participants, not just money market funds, led to significant strains in the short-term funding markets last March. This is a necessary step before considering any of the PWG money market fund reform options.

"Regarding those options, removing the tie between the 30 percent weekly liquid asset threshold and the imposition of fees and gates would further strengthen prime money market funds and improve the financial system's resiliency. As ICI's [letter](#) shows, the threat of fees and gates was a main contributor to the unusually high redemptions from some prime institutional money market funds. In contrast, the other PWG options will not achieve policymakers' goal of making the financial system more resilient in the face of a severe liquidity shock. Instead, those options will only severely weaken money market funds' key characteristics and eliminate the important benefits they provide to millions of investors and the economy—without addressing the underlying vulnerabilities in the financial system.

"More than 50 million retail investors, as well as corporations, municipalities, and other institutional investors, rely on \$4.9 trillion in money market funds as low-cost, efficient, and transparent cash management vehicles. Moreover, money market funds provide critical financing for governments, businesses, financial institutions, and households across the United States."

"ICI and its members are committed to working with US and international policymakers to further strengthen money market funds and the short-term funding markets for the benefit of investors and the economy."