

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs Council, Research Council, All Staff

Fast Facts: MONEY MARKET FUNDS

The following information is provided by the Investment Company Institute (ICI) and their recent research report, ["Pricing of U.S. Money Market Funds."](#)

FACT: One out of every four Americans (over the age of 18) owns a money market fund.

FACT: Individuals, municipalities, corporations, pension plans, hospitals, universities and others have over \$2.7 trillion invested in money market funds.

FACT: The vast majority of investors use money market funds specifically because the net asset value per share (NAV) is stable at \$1.00, which provides investors with simplicity, liquidity, and a market of rate of return.

FACT: To offer a stable \$1.00 NAV, money market funds must comply with the Securities and Exchange Commission's (SEC) Rule 2a-7, which specifies standards on portfolio credit quality, readily available liquidity to meet redemption requests, diversification of issuers and guarantors of portfolio securities, and maturity of portfolio securities.

FACT: Under Rule 2a-7, money market funds must manage and price shares with an accuracy of one half of one cent (\$0.0050) of \$1.0000. If a fund's value rises above \$1.0050 or falls below \$0.9950, the fund's board must reprice the fund's NAV accordingly. This is known as "breaking the buck."

FACT: Historically, money market funds have been extremely stable. In fact, during the peak of the financial crisis in September 2008, the Reserve Primary Fund was the only registered money market fund that "broke the buck."

- [93% of money market funds](#) were valued greater than \$0.9975 during that time.

FACT: In response to the financial crisis, in January 2010, [the SEC amended Rule 2a-7](#) to tighten the rule's credit, maturity, and liquidity standards. The amendments also require money market funds to disclose their market-based net asset values to the SEC on a monthly basis starting January 31, 2011.

FACT: On May 10, 2011, the SEC hosted a [roundtable](#) to discuss additional changes to money market funds, including a NAV that would float above or below \$1.00.

- In a [survey of corporate money market fund users](#), 77% said they would move cash out of these funds if the NAV was changed from stable to floating.
- A floating NAV would generate taxable gains and losses with each subscription and redemption, creating a tax and accounting burden for individual investors and for institutions that use these funds on a daily basis for their working capital.

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If you have questions or comments, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at Abby@fsround.org, or Scott Talbott, Senior Vice President of Government Affairs, at Scott@fsround.org.