

Independent Directors Council Urges Regulators to Maintain Essential Characteristics of Money Market Funds

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Endorses Private Liquidity Facility; Opposes Floating NAV Option in PWG Report

Washington, DC, January 11, 2011 - The Independent Directors Council (IDC) strongly encouraged regulators to preserve the defining features of money market funds, particularly the stable \$1 net asset value (NAV) when considering additional steps to further strengthen money market funds, in a comment letter today responding to the SEC's request for comments on the [President's Working Group \(PWG\) on Financial Markets Report on Money Market Reform Options](#) (Report). IDC stated its support for a private emergency liquidity facility as the option with the most potential to achieve the PWG's goal of strengthening money market funds, while preserving their essential characteristics and benefits to investors and the capital markets.

Money Market Funds Provide Investors with Incomparable Benefits

Independent directors—whose primary responsibility is to look after the interests of fund shareholders, including money market fund shareholders—have a keen interest in the policy issues raised in the PWG Report and the potential impact of any of the proposed options on fund shareholders, the [IDC comment letter](#) noted.

"Money market funds have provided incomparable benefits to investors and the capital markets for nearly thirty years," said Dorothy A. Berry, IDC Chair, independent director of PNC Funds and independent chair of Professionally Managed Portfolios. "Money market funds offer investors daily liquidity, a high degree of safety, and competitive yields, while providing a critical source of almost \$3 trillion in funding in the broader economy."

Of Options in PWG Report, Liquidity Facility Offers Greatest Potential

While the PWG Report acknowledged that the SEC's new rules now in effect mitigate systemic risks, it stated that "more should be done" and discussed several potential options. IDC's letter asserted that a private liquidity facility that would provide prime money market funds with an additional liquidity backstop in times of severe market stress is the best option for satisfying the PWG's policy goals.

Floating NAV of Money Market Funds Would Not Achieve PWG Policy Goals

IDC asserted that a floating NAV is unlikely to achieve the PWG policy goal of reducing systemic risk in any meaningful way. Further, this option would eradicate the defining feature of money market funds (i.e., the stable NAV), likely causing many investors to abandon them in favor of other potentially less-regulated investment options, to the detriment of both investors and the capital markets, the letter urged.

"Floating the NAV of money market funds would, as the PWG Report notes, represent a `dramatic change,'" said IDC Managing Director Amy Lancellotta. "We strongly oppose such a change, particularly when the option is unlikely to reduce systemic risk, and a less drastic, more viable option to strengthen money market funds is available in the liquidity facility."

