

## IDC Is Not Convinced Additional Money Market Fund Reform Is Warranted

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**Washington, DC, September 18, 2013** - In response to the Securities and Exchange Commission's (SEC) money market fund reform proposal, the Independent Directors Council (IDC) stated that it is not convinced additional reform is necessary, in light of the demonstrated efficacy of the SEC's 2010 money market fund reforms and the substantial costs associated with the SEC's proposal.

The SEC proposed two alternatives for reform—a floating net asset value for institutional prime money market funds or liquidity fees and redemption suspensions (“gates”), triggered when a fund's liquidity has fallen below a set level. The SEC stated that it could adopt either alternative or a combination of the two.

## Liquidity Fees and Gates Alternative May Be Better Option

In a [comment letter](#), IDC told the SEC that, of the two alternative proposals, liquidity fees and gates may be the better option because, unlike a floating NAV, it would address the SEC's core concern—heavy redemption pressures on money market funds during times of fund and market stress—while preserving the essential characteristics and shareholder benefits of money market funds.

## Clarity Needed That Business Judgment Rule Applies to Directors' Decisions

If the SEC adopts the liquidity fees and gates alternative, which would require fund boards to make determinations with respect to any liquidity fee or gate, IDC urged, the SEC should make clear that directors' decisions would be protected under the business judgment rule. The business judgment rule presumes that, in making a business decision, directors acted in good faith and an honest belief that the action taken was in the best interest of the fund.

IDC Managing Director Amy Lancellotta said, “While we are not convinced that further reform is needed, we appreciate the SEC's thoughtful presentation of the options. It is important for the SEC to hear from fund directors, who would have important, new responsibilities under either of the proposed alternatives.”

## IDC Opposes Floating NAV, Strongly Opposes Combining Both Options

IDC opposes a floating NAV because it is unlikely to prevent investors from redeeming fund shares in times of market stress and would impose extremely high burdens and costs on funds and their shareholders. IDC strongly opposes a combination of the two alternatives, which would be disastrous for the money market fund industry and fund shareholders and is unnecessary to address the SEC's concerns.

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