# SEC Proposes Rule Amendments to Strengthen Regulatory Framework for Money Market Funds

**FOR IMMEDIATE RELEASE**
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*Washington, D.C., June 24, 2009* — The Securities and Exchange Commission today voted unanimously to propose rule amendments designed to significantly strengthen the regulatory framework for money market funds to increase their resilience to economic stresses and reduce the risks of runs on the funds.

The SEC is seeking public comment on the proposals, which would require money market funds to maintain a portion of their portfolios in highly liquid investments, reduce their exposure to long-term debt, and limit their investments to only the highest quality portfolio securities. The proposals also would require the monthly reporting of portfolio holdings, and allow the suspension of redemptions if a fund "breaks the buck" to allow for the orderly liquidation of fund assets. A money market fund "breaks the buck" when its net asset value falls below $1 per share, meaning investors in that fund will lose money.

**Video: Open Meeting**


Chairman Schapiro discusses investor protections for money market funds:
Windows Media Player
QuickTime

Text of Chairman's statement

### Additional Materials

- Proposed Rule Release No. IC-28807
- Submit comments on this proposal
- Fact Sheet: Making Money Market Funds Less Risky

"These proposals are designed to increase the ability of money market funds to weather future economic storms," said SEC Chairman Mary Schapiro. "The stability of money market funds in times of turmoil is enormously important both for investors and for the securities markets. The proposals also would improve the operations of money market funds and oversight of their investments during calmer times, which can further protect funds and increase public awareness of potential risks."

Andrew J. Donohue, Director of the SEC's Division of Investment Management, added, "The amendments proposed by the Commission today go a long way in addressing the most significant issues raised during the past two years for money market funds and their investors. They are designed to help protect funds from the most troublesome areas of risk, and to enable investors and the Commission to obtain important information about funds."

The proposed amendments would, among other things:

- Require that money market funds have certain minimum percentages of their assets in cash or securities that can be readily converted to cash, to pay redeeming investors.
- Shorten the weighted average maturity limits for money market fund portfolios (from 90 days to 60 days).
- Limit money market funds to investing in only the highest quality securities (i.e., eliminate their ability to invest in so-called "Second Tier" securities).
- Require funds to stress test fund portfolios periodically to determine whether the fund can withstand market turbulence.

The proposals also would:

- Require money market funds to report their portfolio holdings monthly to the Commission and post them on their Web sites.
- Require funds to be able to process purchases and redemptions at a price other than $1.
- Permit a money market fund that has "broken the buck" and decided to liquidate to suspend redemptions while the fund undertakes an orderly liquidation of assets.

In addition, the SEC is seeking comment on other issues related to the regulation of money market funds, including whether money market funds should, like other types of mutual funds, effect shareholder transactions at the market-based net asset value (i.e., whether they should have "floating" rather than stabilized net asset values), and whether to require that funds satisfy redemption requests in excess of a certain size through in-kind redemptions. The Commission may propose further amendments after it considers the comments it receives on these matters.

The SEC also is seeking comment on other issues, including alternatives with respect to the role of credit rating agencies in money market fund regulation.

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Public comments on today's proposed rule amendments must be received by the Commission within 60 days after their publication in the Federal Register.

The full text of the proposed rule amendments will be posted to the SEC Web site as soon as possible.

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*http://www.sec.gov/news/press/2009/2009-142.htm*

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