



CENTER FOR CAPITAL MARKETS
C O M P E T I T I V E N E S S

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Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Re: Policy Proposals to Enhance Money Market Fund Resilience

To Whom it May Concern:

The U.S. Chamber of Commerce’s (“The Chamber”) Center for Capital Markets Competitiveness (“CCMC”) is pleased to provide comments on the consultation report (“Consultation”) by the Financial Stability Board (“FSB”) on “Policy Proposals to Enhance Money Market Fund Resilience.”

The Chamber believes that it is important for global and domestic regulators to review the operation of Money Market Fund (“MMF”) regulations during times of market stress, particularly, the events of March 2020. Nonetheless, these reviews must take into account the vast differences between the events of the 2007-2008 global financial crisis and March 2020. The global financial crisis stemmed from a series of market failures, regulatory dead zones, and an inability to resolve cross border issues. Thankfully, many of the reforms undertaken since 2008 have addressed many of those issues. The market stresses of March 2020 were the result of government mandated shutdowns of the economy – an unprecedented scenario not anticipated by policy-makers in the drafting of the relevant policies. Accordingly, while a review is appropriate, it cannot be viewed through the lens of a 2008 market and regulatory failure.

The FSB’s Consultation on MMFs follows on its 17 November 2020 report entitled “Holistic Review of the March Market Turmoil.”¹ Further, its review is occurring at the same time that the U.S. Securities and Exchange Commission (“SEC”) and the European Securities and Markets Authority (“ESMA”) are also reviewing the market turmoil in March 2020 and are considering potential reforms to MMFs. Given the importance of MMFs as a vital source of short-term cash management and investment opportunities, and with so many entities evaluating the market for MMFs and offering recommendations for improvements to the markets, the Chamber urges a measured approach to any changes that holistically considers all aspects of

¹ Financial Stability Board, *Holistic Review of the March Market Turmoil* (November 17, 2020). Retrieved from <https://www.fsb.org/wp-content/uploads/P171120-2.pdf>

short-term funding markets and that preserves the unique benefits provided by MMFs to investors and issuers.

The Chamber offers the following perspectives with the goal of ensuring that short-term funding markets, including MMFs, remain a viable source of liquidity for issuers and investors:

- I. Role of money markets in the U.S. financial system
- II. Views on regulations in response to the global financial crisis of 2007-2008 (GFC)
- III. Proposals to improve short-term funding markets and capital requirements for covered banks
- IV. Concerns with certain proposals to reform short-term funding markets

I. Role of money markets in the U.S. financial system

MMFs are a critical instrument for issuers in need of low-cost, short-term cash management and investors interested in low-risk investment return. The economic benefit to issuers and investors includes individuals, government entities, and businesses.

The market footprint of MMFs is very high globally. As the Consultation notes, worldwide assets under management in MMFs totals approximately \$8.8 trillion as of the end of 2020, with the U.S. representing the largest market with \$4.8 trillion in total assets.² This market predominance makes the U.S. use of MMFs and their regulation instructive for the global discussion.

For many businesses, including those that make up the membership of the Chamber, MMFs are the preferred way to manage fluctuations in cash and to ensure adequate cash flow when needed. Businesses benefit from MMFs in two ways: (1) as an investment tool for working capital and (2) as a market for the instruments they issue to finance short-term funding needs. Cash inflows and outflows don't always line up, and MMFs act as a financial intermediary in helping businesses offset these discrepancies.

Companies often use commercial paper as a means to manage cash, particular short-term cash needs. MMFs are significant purchasers of commercial paper, making them a reliable and accessible source of short-term funding for companies. Commercial paper is typically used by companies for financing expenses like payroll, inventory, and meeting other short-term liabilities. Many businesses still prefer commercial paper over bank loans for short-term financing because of the ease and efficiency in issuing commercial paper, the lower interest rate, and the ability to reduce counterparty credit risk.

² Financial Stability Board, Consultation Report, *Policy Proposals to Enhance Money Market Fund Resilience* (30 June 2021). Retrieved from <https://www.fsb.org/wp-content/uploads/P300621.pdf>

MMFs on average, hold approximately 20% – or \$225 billion – of commercial paper,³ but the holding of commercial paper by MMFs has decreased from upwards of 40% as recently as 2012.⁴ In an October 2020 report,⁵ the SEC notes that MMFs have decreased their investment in commercial paper over the years, pointing to the increase in investment in government securities. However, the report fails to point to the possibility that the shift of assets out of prime MMFs may have been caused by the new regulatory requirements imposed on these funds.

II. Views on regulations in response to the global financial crisis of 2007-2008 (GFC)

Following the GFC of 2007-2008, the SEC enacted amendments to Rule 2a-7 in 2010, with further amendments in 2014, with the objectives of making MMFs “more resilient to certain short-term market risks” and addressing “risks of investor runs in money market funds, while preserving the benefits of the funds.”⁶ From a financial stability standpoint, a primary policy objective was to prevent the need for public sector intervention to support liquidity in these markets.

The Chamber expressed concerns when the SEC instituted new rules for MMFs in 2010 and then again in 2014. In general, the 2010 reforms required MMFs to publicly disclose portfolio holdings each month, introduced new liquidity requirements, and required funds to manage credit risks. The primary feature of the 2014 reforms was requiring all prime and tax-exempt funds available to institutional investors switch from a fixed net asset value (NAV) to a floating NAV.

The market volatility experienced in March 2020 was the first significant test of these rules’ effectiveness, and similar rules implemented in other jurisdictions. In the U.S., despite the reforms, the Federal Reserve Board, with the support of the U.S. Treasury Department, intervened in short-term markets via liquidity facilities authorized under Section 13(3) of the Federal Reserve Act, including the Money Market Mutual Fund Liquidity Facility (MMLF).

The FSB, on November 17, 2020, issued a report entitled “Holistic Review of the March Market Turmoil.”⁷ The FSB’s report discusses the March 2020 market turmoil, the propagation of the market shock, and intervention by the public sector (e.g. central banks). The FSB’s report

³ Board of Governors of the Federal Reserve System, *Financial Accounts of the United States: Flow of Funds, Balance Sheets, and Integrated Macroeconomic Accounts* (2020, First Quarter). Retrieved <https://www.federalreserve.gov/releases/z1/20200611/z1.pdf>

⁴ U.S. Chamber of Commerce, Center for Capital Markets Competitiveness, *Money Market Funds: Helping Businesses Manage Cash Flow* (2013, September). Retrieved from https://www.centerforcapitalmarkets.com/wp-content/uploads/2013/08/17003_CCMC-Money-Market.pdf

⁵ U.S. Securities and Exchange Commission, Division of Economic and Risk Analysis, *U.S. Credit Markets: Interconnectedness and the Effects of the Covid-19 Economic Shock* (October 2020). Retrieved from https://www.sec.gov/files/US-Credit-Markets_COVID-19_Report.pdf

⁶ SEC Adopts Money Market Fund Reform Rules. (2014, July 23). Retrieved from <https://www.sec.gov/news/press-release/2014-143> and

SEC Approves Money Market Fund Reforms to Better Protect Investors (2010, January 27). Retrieved from <https://www.sec.gov/news/press/2010/2010-14.htm>

⁷ Financial Stability Board, *Holistic Review of the March Market Turmoil* (November 17, 2020). Retrieved from <https://www.fsb.org/wp-content/uploads/P171120-2.pdf>

mentions “some investors in open-ended investment funds may have faced incentives to redeem ahead of others,” but, in general, it takes a holistic review of short-term funding markets, including the role of the banking system and central counterparties.

In December 2020, the President’s Working Group on Financial Markets issued a report on “Overview of Recent Events and Potential Reform Options for Money Market Funds” (“PWG Report”). The PWG Report explains the importance of money markets to the U.S. financial system, analyzes the regulations imposed on MMFs, in 2010 and again in 2014, following the global financial crisis of 2007-2008, calls for new reforms to MMFs, and discusses the likely costs and benefits of implementing such reforms. In its request for comment on the PWG Report earlier this year, the SEC almost exclusively focused on MMF regulations in Rule 2a-7, in contrast to the holistic approach discussed by the FSB in its 2020 report.

The Chamber does not believe inadequate regulation of MMFs was central to the liquidity crisis experienced in short-term funding markets; however, we do believe modest reforms to financial regulation could improve investor confidence in financial markets. The FSB expressed similar views in its November 2020 report on the market challenges for MMFs during the March 2020 market turmoil. The FSB found that, in contrast to the GFC, “the shock originated outside of the financial system,”⁸ suggesting that MMFs and their regulatory structure were in no way a cause of financial instability in March 2020.

The Chamber urges caution in recommending further regulatory changes to MMFs that are not guided by history and informed by all available facts. Any policy proposals should specifically evaluate the impact on demand for certain MMFs and the possibility for markets to reallocate capital. We encourage the FSB to focus on policy recommendations that ensure the market for MMFs remains strong for both issuers and investors.

III. Proposals to improve short-term funding markets and capital requirements for covered banks

Reforms to MMF regulation may be necessary to improve market functioning, but these reforms should be carefully considered as part of the broader regulatory structure for financial markets. We encourage the FSB to promote a holistic review of short-term markets. As the FSB addresses systemic risks in short-term markets, a holistic approach will ensure that recommendations to MMFs do not compromise resiliency in other parts of the financial system or financing provided to the real economy.

In fact, the GFC confirmed the need for a holistic approach to financial regulation. Financial institutions, investors, and issuers are connected via various market mechanisms that permit for the allocation of credit and liquidity across our economy and are subject to supervision by the appropriate financial regulators. Reforms that view markets through regulatory silos will not meet the objectives of promoting a resilient financial system and the efficient allocation of capital.

⁸ Ibid.

The Chamber supports reforms to financial regulation that will promote liquidity in financial markets. We believe some modest reforms to MMF rules, that do not decrease the utility of MMFs for issuers or investors, merit discussion, such as changing the tie between gates and fees. Additionally, we believe reforms to certain regulations governing capital and liquidity requirements in the banking system are essential to holistically support liquidity in short-term funding markets.

The Chamber strongly recommends that any changes to MMF regulation be narrowly applied to address funds that experienced demonstrable liquidity challenges in March 2020. There is evidence that institutional prime funds (for various reasons, including the tie between gates and fees discussed below) experienced the greatest outflows in March 2020. On the other hand, government MMFs performed well during the market volatility in March 2020 and experienced significant *inflows* as investors sought the liquidity and stability that government MMFs provide. In addition, prime funds available to retail investors (as opposed to those available to institutional investors) did not experience significant issues in March 2020. While some redemptions in these funds did occur, the funds were not under significant stress. Accordingly, we believe any reforms under consideration should not be applied to funds other than institutional prime.

a. Change Tie Between Gates and Fees

The Chamber encourages the FSB to focus any review of MMF regulation on the removal of the tie between potential application of liquidity fee and redemption gates and minimum liquidity thresholds in order to reduce the likelihood of pre-emptive runs by investors. We agree with the PWG Report's assessment that, "Definitive thresholds for permissible imposition of liquidity fees and redemption gates may have the unintended effect of triggering preemptive investor redemptions as funds approach the relevant thresholds."

One of the reforms to the SEC's Rule 2a-7 in 2014 authorized the boards of non-government MMFs to institute liquidity fees and redemption gates on investors to disincentivize runs.⁹ These reforms were well-intentioned, but the regulatory linkage between the MMF's requirement to maintain 30% weekly liquid assets (WLA) and the imposition of redemption gates may have been a contributing factor to an unnecessary run on institutional prime MMFs in March 2020.

MMF boards have discretion to impose fees or gates when WLAs fall below 30% of total assets and generally must impose a fee of 1% if WLAs fall below 10%, unless the board determines that such a fee would not be in the best interest of the fund or that a lower or higher (up to 2%) liquidity fee is in the best interest of the fund. In practice, as experienced by market behavior in March 2020, these reforms created unintended issues for institutional prime funds.

Despite the absence of actual liquidity risk, the tie between gates and fee thresholds created a first-mover advantage among some investors. Staff at the Federal Reserve Bank of New York foresaw this possibility when it published research in 2014 entitled, "*Gates, Fees, and*

⁹ SEC Adopts Money Market Fund Reform Rules. (2014, July 23). Retrieved from <https://www.sec.gov/news/press-release/2014-143>

Preemptive Runs,” finding that redemption gates could have the opposite effect as intended – they may actually encourage runs in some cases.¹⁰ The conclusion of the report finds that, “Rules that provide intermediaries, such as MMFs, the ability to restrict redemptions when liquidity falls short may threaten financial stability by setting up the possibility of preemptive runs.” The report also points out the possibility of behavior that may be economically irrational noting, “...given the similarity of MMF portfolios, is that a preemptive run on one fund might cause investors in other funds to reassess whether risks in their funds are indeed vanishingly small.” Requiring the fund’s board to meet when the 30% WLA threshold is breached caused investors confronting market uncertainty in March 2020 to be concerned that draconian redemption measures would be imposed by the board despite the fund’s relatively high liquidity and no requirements to impose gates and fees.

Reforms to the tie between gates and fees should improve the signaling about a board’s intentions to investors. This is also a strong recommendation since, as the FSB Consultation notes, “this option would not significantly affect supply or demand for MMFs, it is unlikely to cause significant shifts to potential MMF substitutes.”¹¹ The Chamber strongly supports research by regulators to better understand investor behavior in relation to the possibility of fund boards imposing gates and fees. This research should inform changes to regulations that delink gates and fees.

b. Change Bank Capital and Liquidity Rules

We believe reforms to certain regulations governing capital and liquidity requirements in the banking system are essential to support liquidity in short-term funding markets. Changes to banking regulation, including more flexibility under the Liquidity Coverage Ratio (LCR), merit serious discussion as part of a holistic review.

Banks play a central role as intermediaries and liquidity providers for commercial paper. In March 2020, banks understandably withdrew from short-term markets when faced with uncertainty and requirements to maintain their own capital and liquidity requirements. The FSB’s November 2020 report underscored the role of banks as market-makers and liquidity providers, and included discussion for possible causes, including regulation imposed after the GFC, for their retrenchment from short-term markets in March 2020. The FSB’s report finds, “...Market-making capacity by banks may have become constrained... and reductions in risk appetite, regulatory constraints and operational challenges may have reduced dealers’ capacity to intermediate larger flows in some core funding markets.”¹²

¹⁰ Cipriani, M., Martin, A., McCabe, P., & Parigi, B., *Federal Reserve Bank of New York Staff Reports: Gates, Fees, and Preemptive Runs* (Staff Report No. 670), (2014, April). Retrieved from https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr670.pdf

¹¹ Financial Stability Board, Consultation Report, *Policy Proposals to Enhance Money Market Fund Resilience* (30 June 2021). Retrieved from <https://www.fsb.org/wp-content/uploads/P300621.pdf>

¹² Financial Stability Board, *Holistic Review of the March Market Turmoil* (November 17, 2020). Retrieved from <https://www.fsb.org/wp-content/uploads/P171120-2.pdf>

In 2018, the Chamber authored a report that foresaw these challenges, in part, and expressed concerns about some aspects of the new Basel capital standards being procyclical. For example, the capital conservation buffer is intended to be drawn down during a recession, and thus serve as a counter-cyclical tool; however, we argued, “current regulatory practice makes it unlikely that the buffer will be used for its intended purpose in a recession.”¹³ U.S. federal banking regulators issued the following statement in March 2020, but banks chose to not breach their capital buffers, “The Board, FDIC, and Office of the Comptroller of the Currency (agencies) are encouraging banking organizations to use their capital and liquidity buffers as they respond to the challenges presented by the effects of the coronavirus.”¹⁴

There is also evidence that banks’ ability to serve as intermediaries and liquidity providers for short-term markets, including for commercial paper, were constrained by the LCR. The LCR requires covered banks to hold enough high-quality liquid assets (HQLA) to cover projected net cash outflows over a 30-day stress period. In general, HQLA may include central bank reserves, government debt, corporate debt, and some municipal debt that can be easily and quickly converted into cash.

We believe federal banking regulators should be encouraged to amend the LCR to expand the definition of HQLA to include the highest rated commercial paper to improve bank intermediation in short-term funding markets. This would reduce disincentives for banks to intermediate in commercial paper markets without undermining their safety and soundness. Despite the prevalent market uncertainty in March 2020, commercial paper was redeemed at par just a few weeks later, suggesting there were no significant credit issues.

IV. Concerns with certain proposals to reform short-term funding markets

The FSB’s Consultation discusses a variety of policy options to enhance MMF resilience. We are especially concerned with the following policy measures given the likelihood that they would all but eliminate the utility of MMFs. None of these policy measures would solve the critical issue experienced by the money market industry in 2020 – namely, liquidity pressures in institutional prime funds. Because they concern matters other than the amount and availability of liquidity in funds, none of these measures would have been effective in curtailing the pressures experienced in March 2020 had they been in place at the time.

a. Swing Pricing

We are concerned about the growing discussion of instituting “swing pricing” for MMFs. Swing pricing has recently been opined on in public speeches by policymakers; however, a complete discussion and review of the complexities of swing pricing, especially in U.S. markets, has yet to occur.

¹³ Angel, J. (fall 2018). *Impact of Bank Regulation on Business Lending*. U.S. Chamber of Commerce Center for Capital Markets Competitiveness. Available at https://www.centerforcapitalmarkets.com/wpcontent/uploads/2018/09/CCMC_RestoringSmallbizLendingReport_9.10.18-1.pdf

¹⁴ Statement on the Use of Capital and Liquidity Buffers. (2020, March 17). Retrieved from <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200317a1.pdf>

Swing pricing is intended to impose the fund's *trading costs* associated with an investor's redemption from (or subscription to) a fund directly on that redeeming investor. This is accomplished by reducing ("swinging" down) the fund's NAV when a certain percentage of shares are redeemed.

Although some may offer that swing pricing could reduce the first-mover advantage by imposing a cost when redemptions are high,¹⁵ we do not believe swing pricing would be effective for curtailing runs, as this is not its primary purpose. We highlight below several drawbacks to swing pricing for MMFs.

A drawback of swing pricing is the likelihood that MMFs would have no choice but to eliminate intra-day and same-day settlements, since MMFs would face significant difficulties in being able to collect and evaluate all inflows and outflows of the fund so that an accurate swing price could be determined. Such changes would leave investors worse off.

In addition, trading costs are minimal for securities held by MMFs, given the significant liquidity buffers held, relative to other funds. If there were a large wave of redemptions, the trading costs do not create any meaningful dilution in the funds. As a result, swinging the NAV by an amount based on trading costs would be relatively small. This "swing" in price would then need to be compared against an investor's desire to redeem shares. There would be relatively low disincentive given the increased desire to redeem shares in the face of relatively low increase in trading costs.

Importantly, and as pointed out in the PWG Report, the increased costs and operational complexity from swing pricing "could lead to increased concentration and a reduction in the overall size of the MMF industry,"¹⁶ which could increase the cost of capital in short-term markets and have serious unintended consequences for financial stability.

Instituting swing pricing in the U.S. would be a herculean technology infrastructure undertaking. It is unclear if fund sponsors, their custodians, transfer agents, broker-dealers, and retirement plan recordkeepers would be interested in realizing enormous start-up costs and ongoing compliance costs. It is notable that non-money market U.S. mutual funds have had the option to implement swing pricing since the SEC adopted its swing pricing rule in 2016. However, to our knowledge, no U.S. mutual fund has done so to date because of the enormous obstacles that would need to be overcome, many of which would need to be solved by other companies (e.g. broker-dealers, retirement plan recordkeepers) that are unaffiliated with the fund sponsor.

¹⁵ Brainard, L. (2021, March 1). Some Preliminary Financial Stability Lessons from the COVID-19 Shock. Retrieved from <https://www.federalreserve.gov/newsevents/speech/brainard20210301a.htm>

¹⁶ Report of the President's Working Group on Financial Markets, *Overview of Recent Events and Potential Reform Options for Money Market Funds* (December 2020). <https://home.treasury.gov/system/files/136/PWG-MMF-report-final-Dec-2020.pdf>

Furthermore, it bears mentioning that unlike in the European Union, as referenced by Federal Reserve Board Governor Brainard, institutional prime funds offered in the U.S. strike their NAVs more than once per day. The PWG Report is correct to point out that swing pricing “could lead to increased concentration and a reduction in the overall size of the MMF industry,”¹⁷ which could increase the cost of capital in short-term markets and have serious unintended consequences for financial stability.

b. Minimum Balance at Risk

The Consultation discusses implementing a minimum balance at risk (MBR) requirement for MMFs. An MBR is a portion of each shareholders’ recent balances in an MMF that would be available for redemption, only with a time delay, to ensure that redeeming investors remain partially invested in the fund over a certain time period. Unfortunately, such a change would likely reduce the utility of the fund for investors and issuers. The MBR would effectively require investors, after redeeming their shares, to assume the risk of ex-post facto losses if the fund’s NAV were to decrease over a certain period. The Consultation includes appropriate discussion of the significant operational adjustments that MMF managers and intermediaries may have to make, including the administrative challenges of regularly calculating MBR. However, it fails to mention that investors may need to reserve for potential time-delayed losses. This raises questions about the market conditions under which investors would need to reserve, or be required to reserve, to account for their MBR.

Furthermore, such a requirement would not address liquidity pressures in institutional prime funds, which was the central issue faced by the MMF industry in March 2020. It is unclear how holding back a portion of each shareholder’s redemption would have materially addressed the liquidity pressures felt by institutional prime funds as investors in these funds increased redemptions in mid-March 2020. Indeed, preventing investors from accessing their liquidity at a time when it was needed most would arguably have had a more detrimental impact.

c. Capital Buffer Requirement

The Chamber wishes to express objection to instituting a capital buffer requirement for MMFs. The Consultation states that a capital buffer could be “held outside the MMF in an escrow account financed by fund managers or by outside investors” to absorb losses and protect a fund’s NAV. Instituting a capital buffer requirement on MMFs appears to confuse bank regulation with the, albeit limited, risk-taking that is central to the economics of MMFs.

A capital requirement would be extremely challenging to administer and would, by its very definition, decrease the return provided to investors. MMFs are not currently organized to include a capital requirement. There are many unanswered questions about how this would be implemented and how a regulator could enforce compliance. Furthermore, the Consultation admits that the financing of the capital buffer, either by the fund sponsor or investors, would

¹⁷ Financial Stability Board, *Holistic Review of the March Market Turmoil* (November 17, 2020). Retrieved from <https://www.fsb.org/wp-content/uploads/P171120-2.pdf>

make it costlier to operate MMFs and decrease the fund's return. As a result, a capital buffer would reduce the overall utility of the MMF as an efficient liquidity management tool.

Because a capital buffer is designed to provide loss absorption from fluctuations in the value of a fund's portfolio, it is not intended to, and would not, address the liquidity pressures felt by institutional prime funds in March 2020. The events of March 2020 did not involve concerns with asset quality and, thus, did not involve fluctuations in the value of funds' portfolios. As a result, instituting a capital buffer would not remove any structural vulnerabilities that created stresses in March 2020.

Lastly, because institutional prime funds already have a floating NAV, a capital buffer in these funds is unnecessary. Capital buffers are designed (in theory) to delay the moment at which a fixed NAV fund is forced to transition to a floating NAV (i.e., "breaks the buck") because of deteriorations in the valuation of the securities it holds. Capital buffers would serve no purpose whatsoever in funds that already operate with a floating NAV. In addition, because floating NAV funds (i.e., institutional prime funds) experienced the greatest outflows in March 2020, capital buffers would not have provided any meaningful benefit had they been in place at the time.

d. Removal of stable NAV

The removal of a stable NAV in favor of a variable NAV for all MMFs would not address liquidity pressures in institutional prime funds, which was the central issue faced by the MMF industry in March 2020. As the PWG Report makes clear, institutional prime MMFs, which already rely on floating NAVs, still experienced runs in March 2020. The FSB Consultation further explains that redeeming investors could still impose liquidity costs on remaining investors. As a result, this policy option would make MMFs more expensive and would not eliminate the first mover advantage.

e. Limits on eligible assets

Finally, we are concerned by the consideration of a policy option that would place limits on eligible assets, such as limiting MMFs to government MMFs. Such a recommendation would inevitably force issuers and investors to move their activity to other sources, such as other types of MMFs (i.e., from institutional prime funds to government funds), bank products, or, more problematically, outside of the regulated financial markets. An increase in demand for liquidity from banks, for example, could simply mean a shift in market activity from MMFs to credit products like term loans and lines of credit.

The Chamber appreciates the FSB soliciting feedback from the public before issuing its final report and recommendations in October 2021. We believe a measured approach, that holistically considers all aspects of short-term funding markets and that preserves the unique benefits provided by MMFs to investors and issuers, is warranted. While reforms to MMFs may be appropriate for funds that experienced significant outflows in March 2020, it is also essential to consider if there are opportunities to improve upon regulation that would limit disincentives for banks to intermediate in short-term funding markets. In particular, we encourage a close review of market behavior by investors confronted by the tie between gates and fees.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK' followed by a long, sweeping horizontal stroke.

Tom Quadman