

## MEMORANDUM

**To:** File No. S7-03-13

**From:** Michael S. Didiuk, Counsel to Commissioner Piwowar

**Date:** September 4, 2013

**Re:** Meeting with Representatives of Fidelity

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On September 4, 2013, Michael Piwowar, Commissioner, and Michael S. Didiuk, Counsel to the Commissioner, met with following representatives of Fidelity: Nancy D. Prior (President, Money Markets), James F. Febeo Jr. (Senior Vice President, Government Relations and Public Policy), Kevin M. Meagher (Senior Vice President and Deputy General Counsel) and Justin Daly of the Daly Consulting Group. The parties discussed the Commission's proposal on money market fund reform.

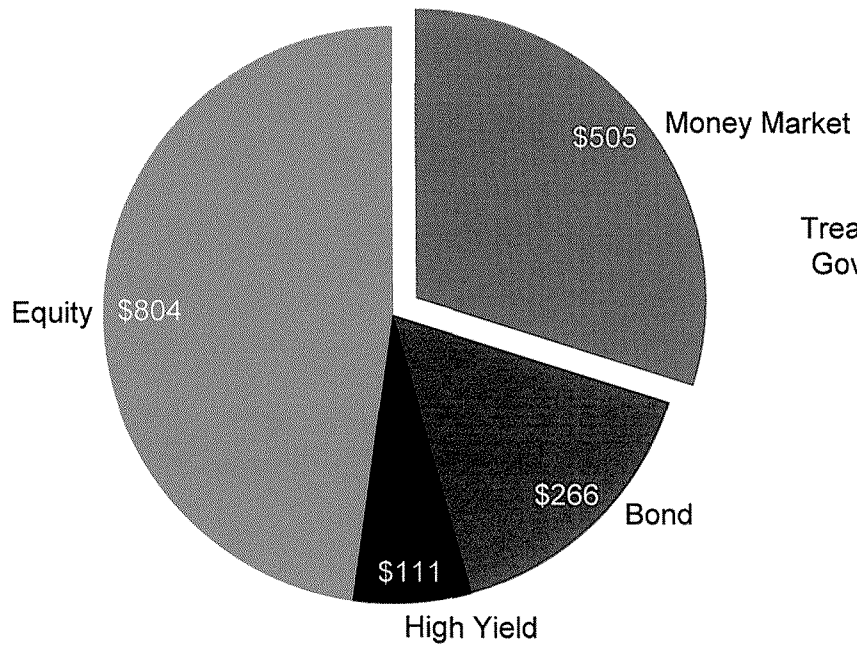
# ▶ Money Market Mutual Fund Reform

September 4, 2013

# Fidelity Assets Under Management

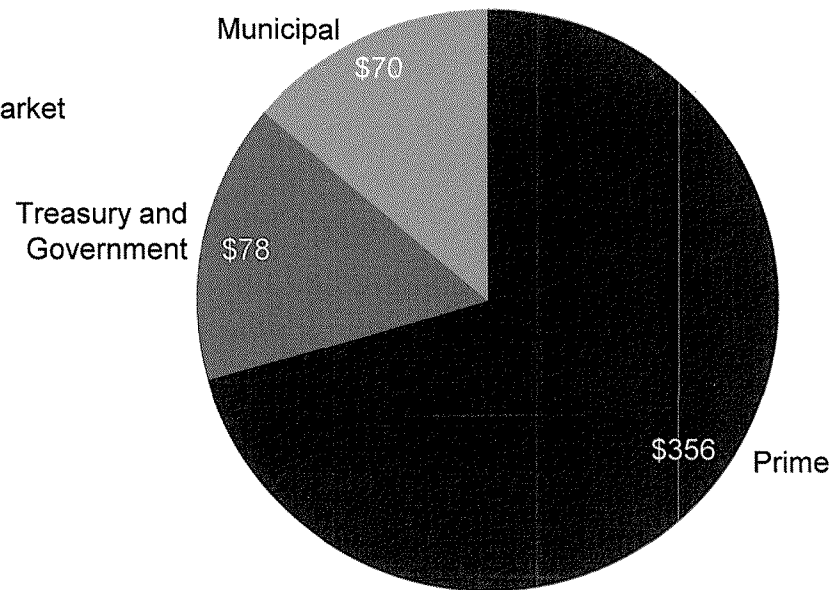
Total Assets Under Management

\$1,686 Billion



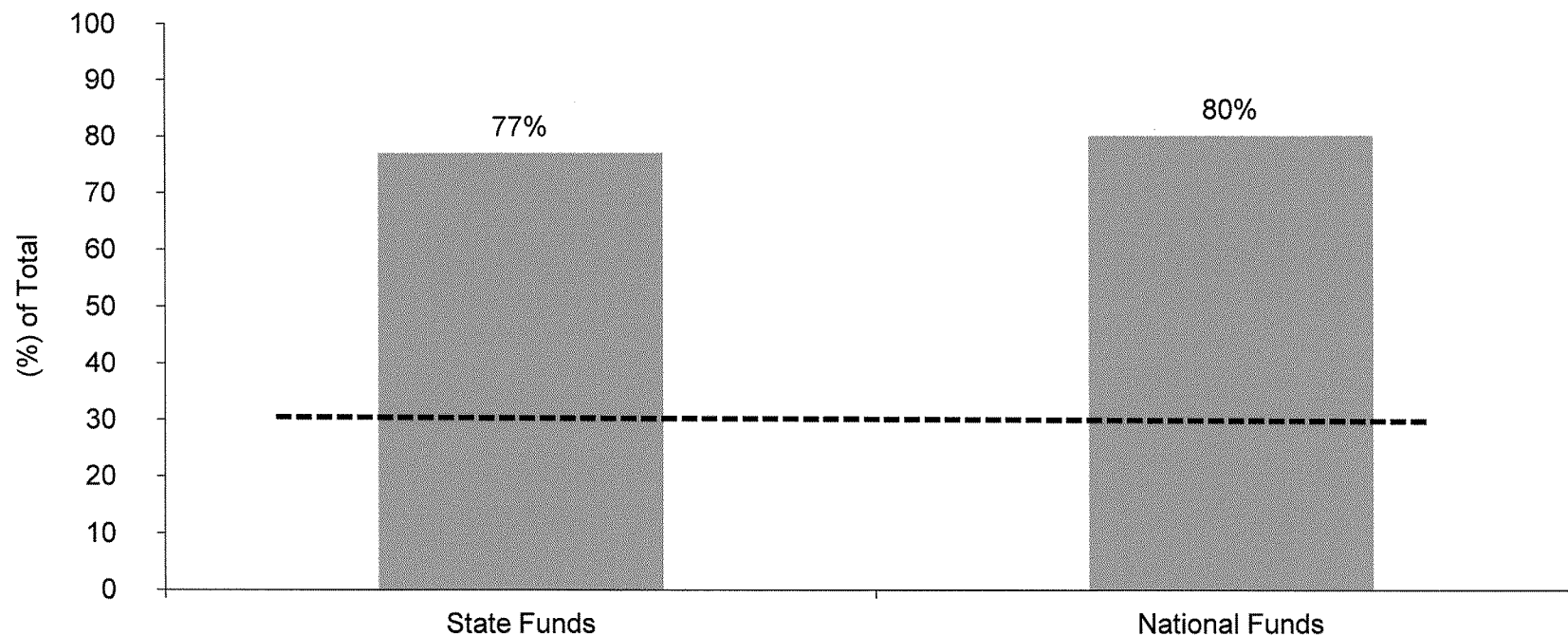
Money Market Assets Under Management

\$505 Billion



# ▶ Municipal MMFs Have Significant Liquidity

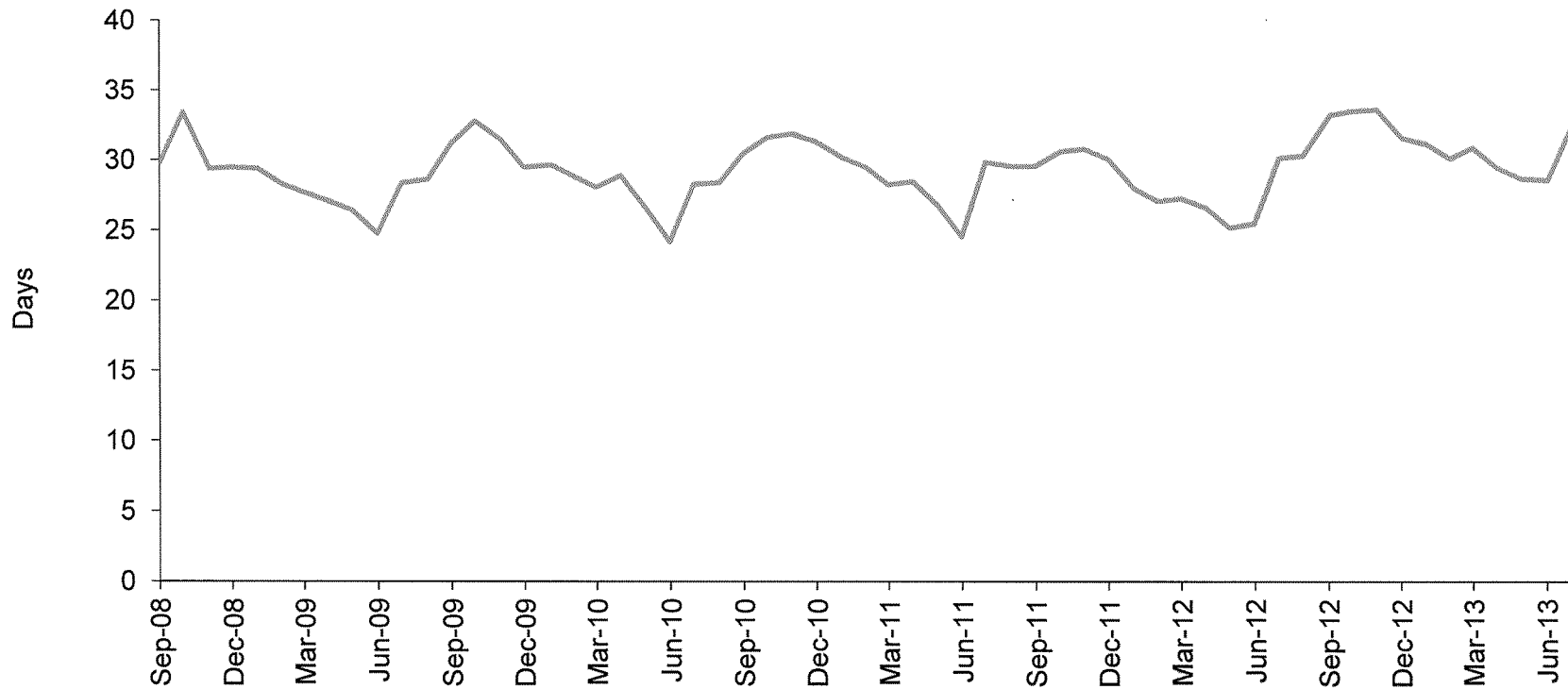
## INDUSTRY MUNICIPAL MMF PERCENT OF HOLDINGS IN 7-DAYS OR LESS



Source: Crane Data as of 06/30/13

# ▶ Municipal MMFs Have Low Interest Rate Risk

## INDUSTRY MUNICIPAL MMF PORTFOLIO DOLLAR WEIGHTED AVERAGE MATURITIES

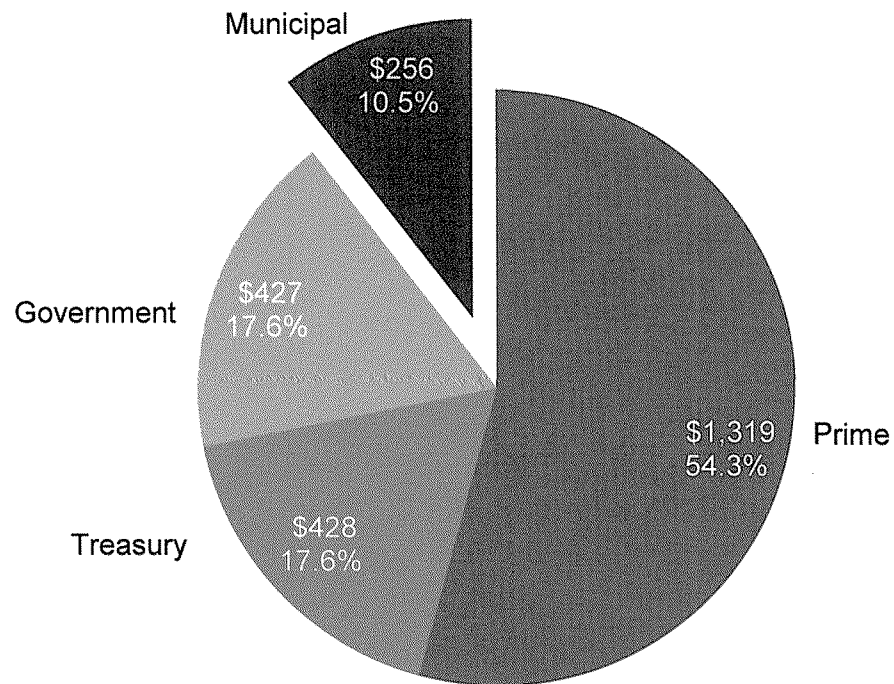


Note: Represents the nominal average of all Tax-Free MMFs as of the first business day of the month.  
Source: iMoneyNet as of 07/01/13

# ▶ Size of Municipal MMFs is Not Systemic

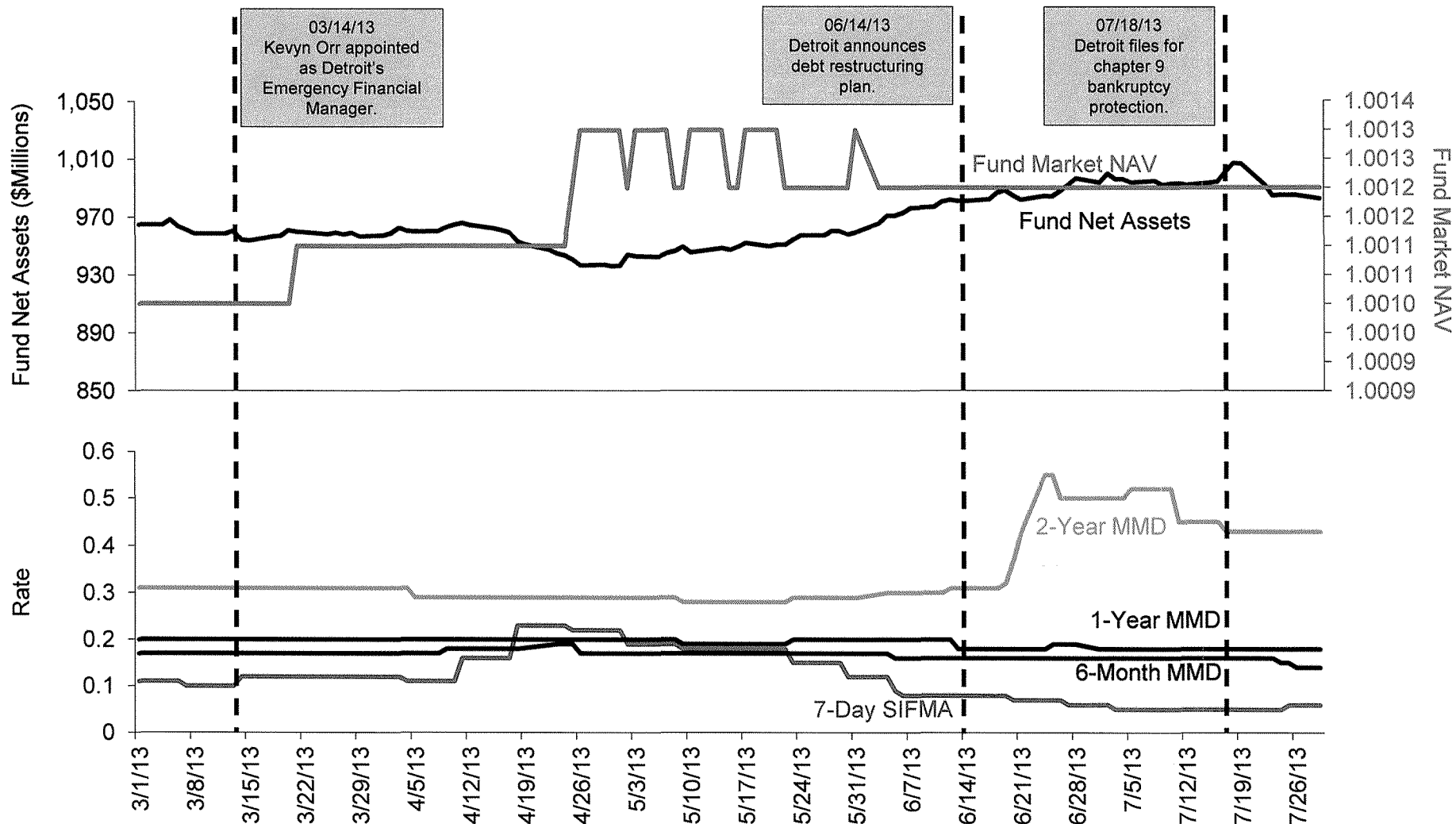
## MUNICIPAL MMF AS A PERCENT OF TOTAL MMF INDUSTRY

Total Assets \$2,430 Billion



Source: Crane Data as of 06/30/13

# ▶ Detroit Events Did Not Destabilize Municipal MMFs



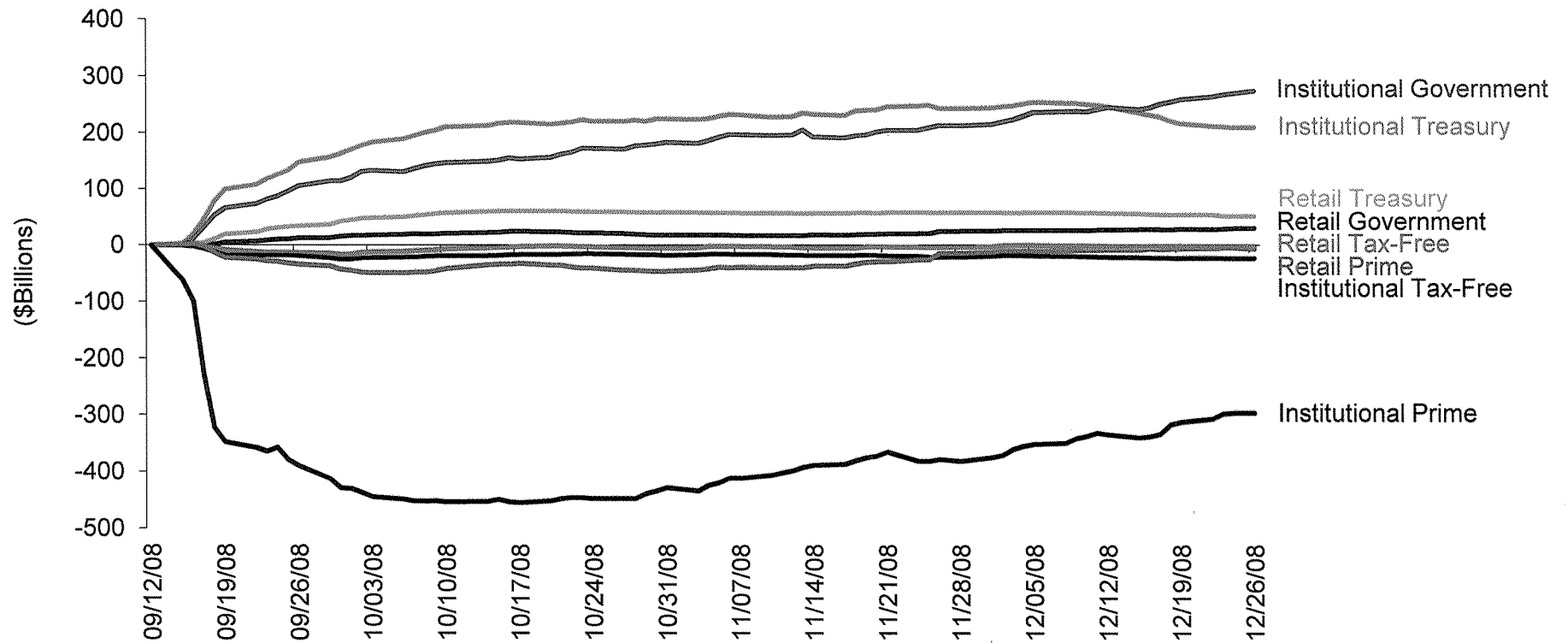
Sources: Top chart, FMR as of 07/26/13; Bottom chart, Thompson Municipal Market Data as of 07/26/13; Fund data shows Fidelity Michigan Municipal Money Market Fund





# Municipal MMFs Did Not See Significant Redemptions During 2008 Financial Crisis

## MONEY MARKET MUTUAL FUNDS ASSET FLOWS



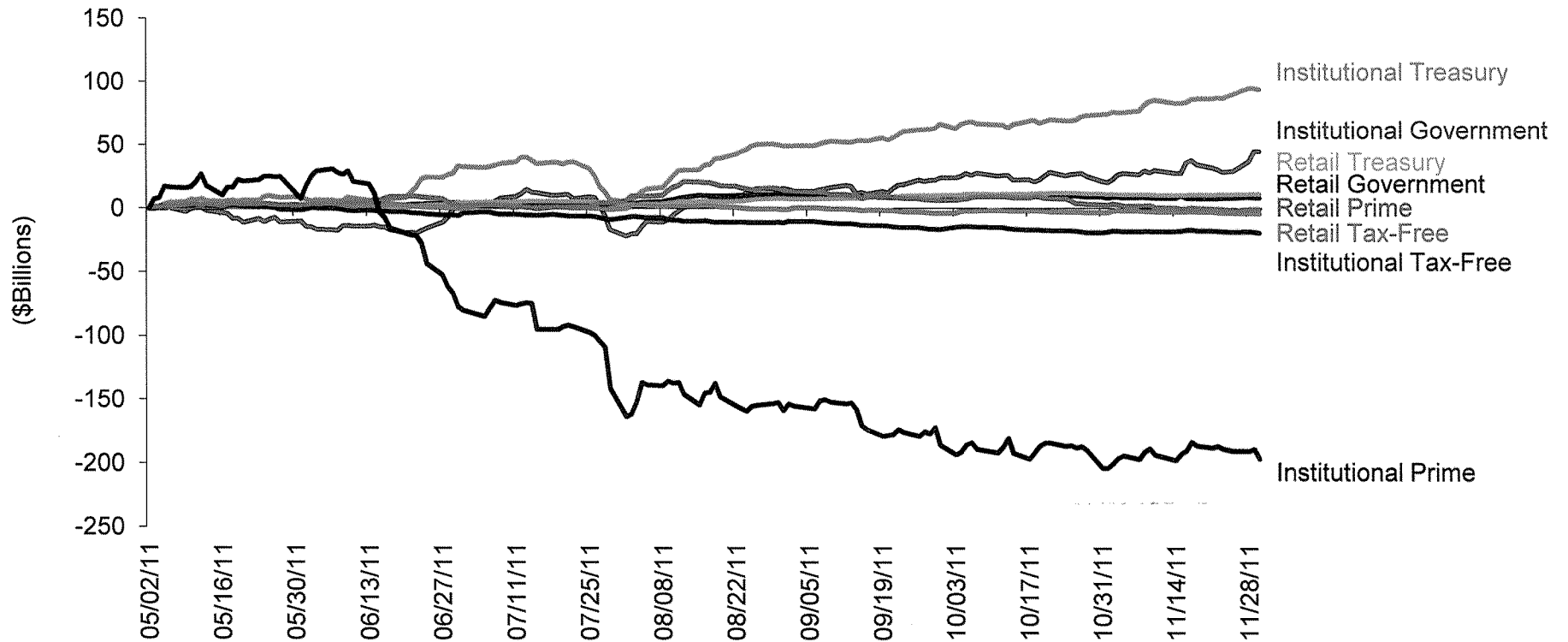
Source: iMoneyNet as of 07/29/13





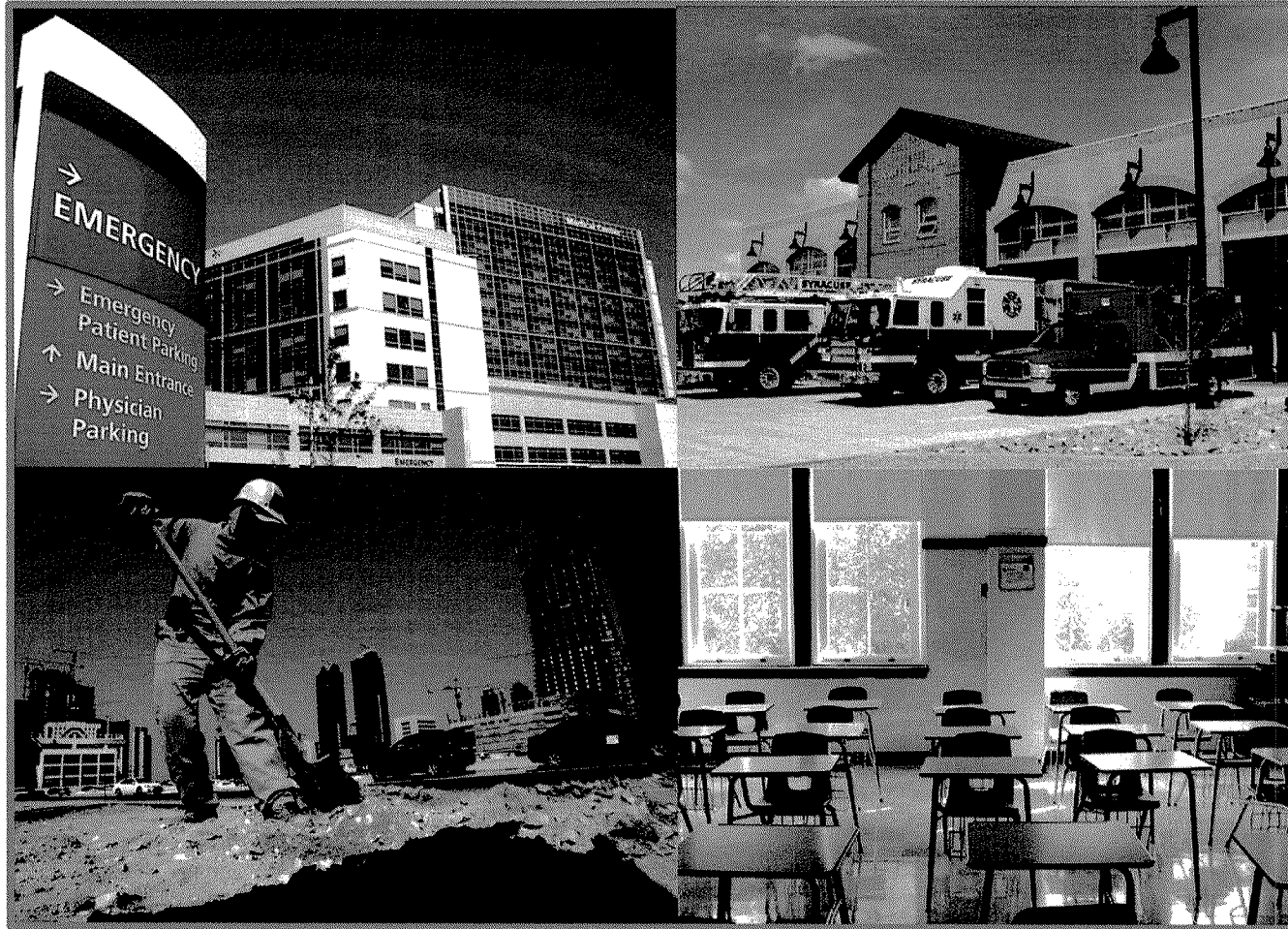
# Municipal MMFs Did Not See Significant Redemptions During 2011 Market Uncertainty

## MONEY MARKET MUTUAL FUNDS ASSET FLOWS



Source: iMoneyNet as of 07/29/13

# ▶ Municipal MMFs Provide Low-Cost Financing for States, Cities and Non-Profits

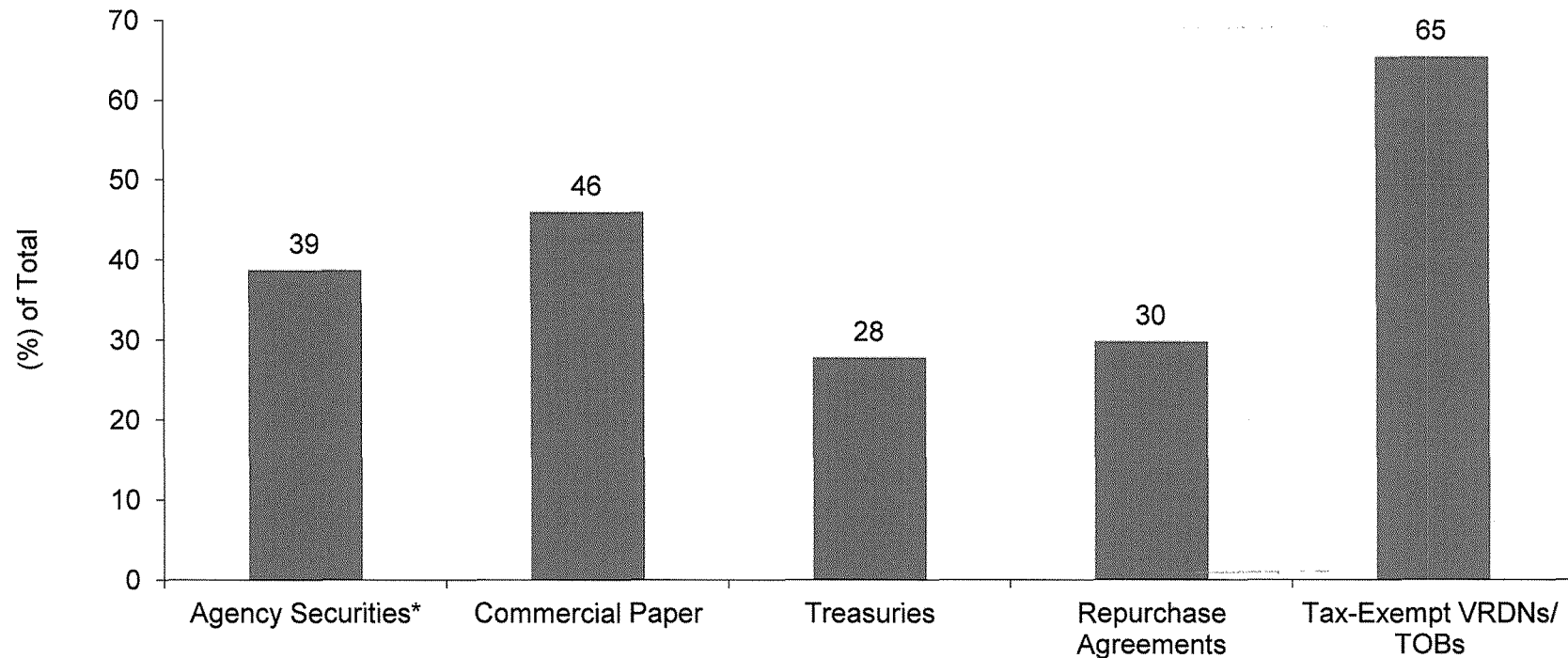


Sources: Suspension Orthopaedic, Healthcare Facilities Today, Chicago Tribune, Construction Week Online



# Money Market Mutual Funds Are Significant Buyers of Short-Term Securities

## MONEY MARKET MUTUAL FUNDS' SHARE OF SHORT-TERM SECURITIES<sup>1</sup>

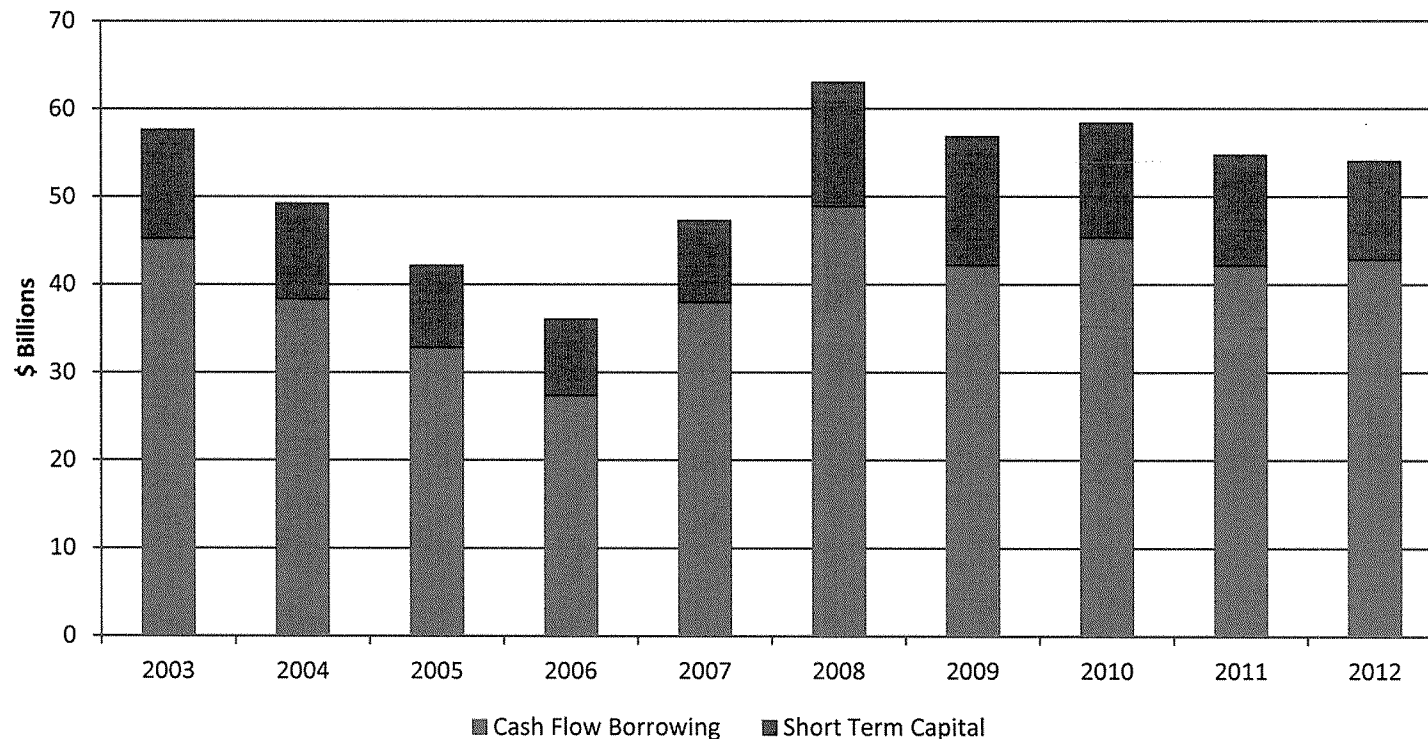


Notes: <sup>1</sup> Short-term securities include money market instruments as well as longer-term securities with a remaining maturity of 1-year or less. \*Agency securities include debt issued by Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

Sources: Bloomberg, New York Federal Reserve, U. S. Treasury Department, SIFMA, iMoneyNet, Crane Data as of 06/30/13 except VRDNs/TOBs as of 12/31/12

## ▶ State and Local Governments Issue Significant Notes: Ten Year Total = \$520 Billion

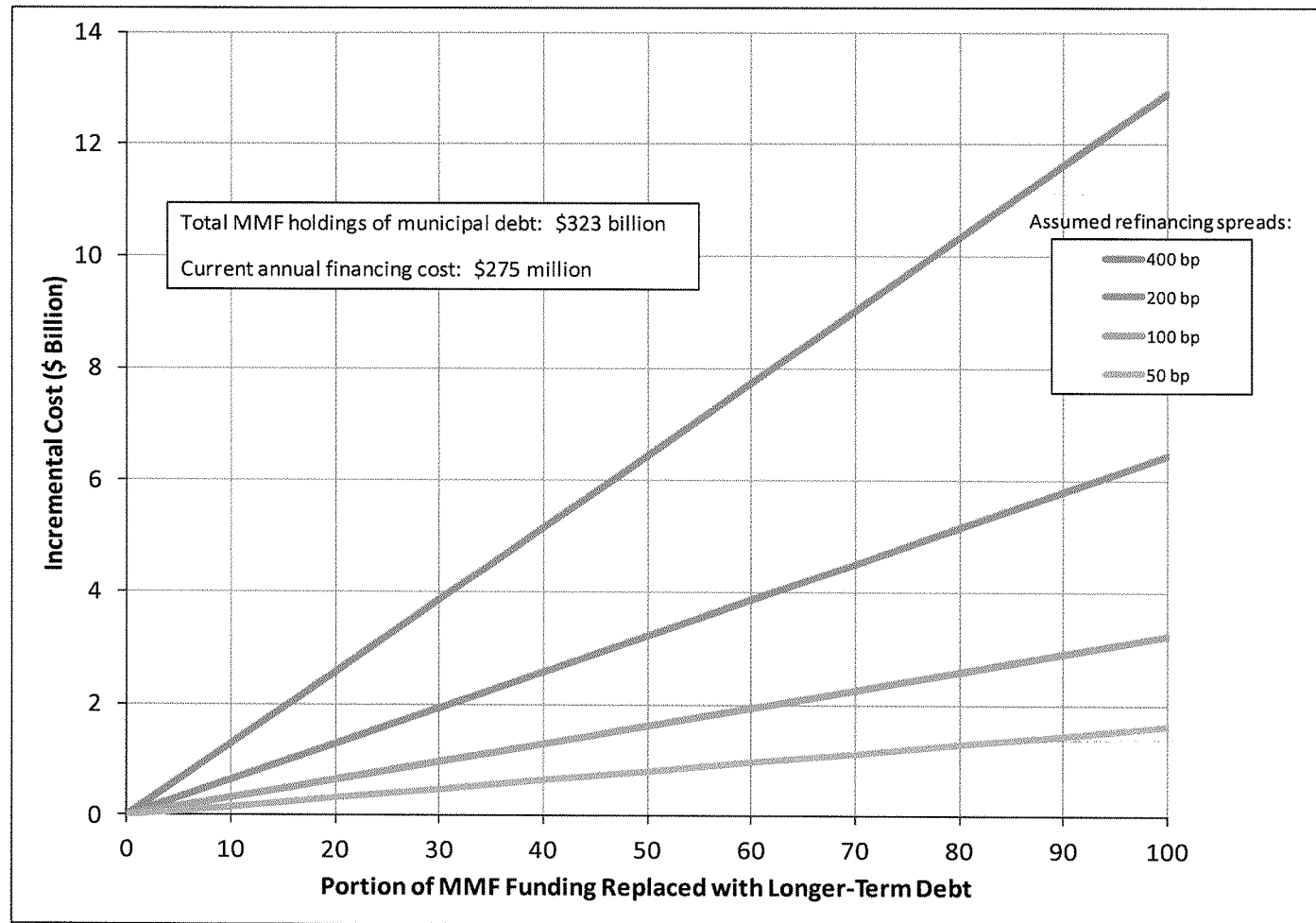
- ▶ State and local governments rely on short term money market borrowing to pay government employees and fund other operating expenses for cash flow management, and to finance capital projects during construction periods prior to issuing long term bonds.



Source: FMR as of 7/30/13

Note: Data represents state and local governmental note issuance that was offered to FMRCo for purchase.

# ▶ Potential Impact of MMF Reform on Municipal Issuers



Notes: Annual financing cost assumes average interest rates of 0.18% on notes and commercial paper and 0.06% on floating-rate securities  
 Sources: FMR as of 06/24/13; Crane Data, iMoneyNet and SIFMA as of 12/31/12