



September 15, 2022

Associate Director Sarah ten Siethoff
Securities and Exchange Commission
100 F Street, NW Washington, DC 20549

VIA EMAIL

Re: Securities Industry and Financial Markets Association Comments on Money Market Fund Reforms (File No. S7-22-21)

Dear Ms. ten Siethoff:

The Asset Management Group of the Securities Industry and Financial Markets Association ("SIFMA AMG") and the Investment Company Institute ("ICI") welcome the opportunity to provide additional information to the U.S. Securities and Exchange Commission (the "Commission") with respect to the Commission's proposed amendments to Rule 2a-7 that govern money market funds under the Investment Company Act of 1940 ("1940 Act"), and related proposed amendments to Form N-MFP, Form N-CR and Form N-1A.

As a follow-up to our conversation on August 10 and previous submissions to the Commission, we are writing to provide an example of language that a money market fund could use to describe how a reverse distribution mechanism ("RDM") works and would impact an individual investor in a negative interest rate environment. The language takes the form of a supplement that a fund would use to inform shareholders that the fund board has elected to implement an RDM mechanism. In practice, each fund would develop its own specific disclosure language, so the template is an illustration rather than proposed mandatory language. We re-iterate that the proposed provision to prohibit RDMs should not be included in final amendments.

We appreciate the opportunity to provide this sample language. SIFMA AMG and ICI both stand ready to address questions and continue the dialogue. Please feel free to contact Lindsey Keljo at [REDACTED] or [REDACTED] or Kevin Ehrlich at [REDACTED] or [REDACTED]. Susan Olson, ICI's General Counsel can be reached at [REDACTED] or [REDACTED].

Sincerely,

A handwritten signature in black ink, appearing to read "K. Ehrlich".

Kevin Ehrlich
Asset Management Group
Securities Industry and Financial Markets Association

Reverse Distribution Mechanism/Floating Net Asset Value Investor Disclosure

Hypothetical Notice to Shareholders for Stable Net Asset Value Money Market Funds to Implement a Reverse Distribution Mechanism in a Negative Interest Rate Environments. Notice Would be Filed as a Supplement under Rule 497 under the Securities Act of 1933. Similar Information about a Reverse Distribution Mechanism would be Included on a Fund's Website. Corresponding Disclosure Would Be Included in Notices Filed as Supplements to Float a Fund's Net Asset Value in Negative Interest Rate Environments.

ABC Treasury Money Market Fund

(the "Fund")

Supplement dated [•] to the [Summary Prospectus, Prospectus and Statement of Additional Information], each dated [•]

Dear Shareholder,

Upon the recommendation of [ABC Fund Advisers] and to address circumstances where interest rates fall below zero and cause the income accrued on the Fund's portfolio securities before deduction of expenses to be negative, the Board of [Trustees/Directors] of the Trust authorized the implementation of a "reverse distribution mechanism" ("RDM"). As discussed in more detail below, the RDM will be implemented to seek to maintain the Fund's stable \$1.00 share price by reducing the number of shares held by shareholders, thereby reducing the value of each shareholder's investment in the Fund in an amount corresponding to the Fund's daily negative income. The RDM will be implemented no earlier than [•] (the "Implementation Date"). **Shareholders are encouraged to consider whether their investment in the Fund remains appropriate and consistent with their investment objectives.**

THE FUND WILL REDUCE THE NUMBER OF SHARES THAT YOU HOLD IN ORDER TO MAINTAIN A STABLE \$1.00 SHARE PRICE ONCE IT IMPLEMENTS RDM. THE VALUE OF YOUR INVESTMENT WILL DECLINE IF THE FUND REDUCES THE NUMBER OF SHARES THAT YOU HOLD.

What Are Negative Interest Rates and How do Negative Interest Rates Impact the Fund?

Interest rates impact the value of the Fund's investments and the yield it earns on those investments. A negative interest rate environment poses risks to the Fund and other money market funds, because negative yielding investments will impact the Fund's ability to provide a positive yield to shareholders or pay expenses out of the interest the Fund earns on its investments. Over time, a negative interest rate environment could also impact the Fund's ability to maintain a stable \$1.00 share price.

Currently, interest rates in the United States are historically low and have been, or are expected to be, negative. As a result, certain Fund investments, including US Treasury securities and certain other US Government securities, have a low or negative yield. Negative interest rates are a monetary policy tool of the US Federal Reserve that is designed to promote growth. **Low or negative interest rates may continue for the foreseeable future.**

The Fund currently seeks to maintain a stable \$1.00 share price by investing primarily in US Treasury securities. Historically, US Treasury securities have generated a positive yield that has enabled the Fund to pay its expenses out of the interest it earns on these investments and distribute any excess yield to shareholders, in the form of either cash or additional Fund shares. Because of the current interest rate environment, however, the yields on US Treasury

securities are negative. As a result, the Fund will be unable to consistently provide a positive yield to shareholders and, without additional action, the Fund's net asset value ("NAV") would decline over time.

How Can a Fund Address Negative Interest Rates?

In the event of a negative interest rate environment that impacts a money market fund's ability to maintain a stable \$1.00 share price, subject to approval by the board of trustees, a money market fund may:

1) Implement an RDM

- A money market fund that implements an RDM would continue to maintain a stable \$1.00 share price by use of the amortized cost method of valuation and/or penny rounding method.
- Such fund would reduce the number of shares held by an investor to offset the daily negative income accrued by a fund on the fund's investments.
- **The value of an investor's investment in a money market fund that implements RDM would decline if the fund reduces the number of shares held by the investor.**

; or

2) "Float" its NAV

- A money market fund that floats its NAV would no longer maintain a stable \$1.00 share price and instead have a share price that fluctuates.
- Such fund would establish its NAV per share by using available market quotations (or an appropriate substitute that reflects current market conditions). The NAV per share would be reduced to reflect the daily negative income accrued by a fund on the fund's investments.
- **An investor in a money market fund that floats its NAV would lose money if the investor sells their shares when they are worth less than what the investor originally paid for them.**

Regardless of which option a fund selects, the decline in the value of a shareholder's investment due to the negative interest income earned by the fund would be the same.

THE BOARD OF TRUSTEES HAS DETERMINED THAT IT IS IN THE BEST INTERESTS OF THE FUND AND ITS SHAREHOLDERS TO MAINTAIN A STABLE NAV PER SHARE AND HAS AUTHORIZED THE FUND TO IMPLEMENT AN RDM.

Implementation of RDM will not result in changes to the Fund's principal investments [for government money market funds, including the Fund's investment policy to invest at least 99.5% or more of its total assets in cash, government securities, and/or repurchase agreements that are collateralized fully.]

What is an RDM?

To maintain a stable \$1.00 share price in the current interest rate environment, on each business day on which income accrued on the Fund's portfolio securities before deduction of expenses is negative, the RDM will reduce the number of full and fractional Fund shares outstanding in an amount necessary to offset the daily negative income accrued by the Fund on its investments. The reduction in the number of Fund shares outstanding will be allocated on a *pro rata* basis among shareholders. The value of your investment will decline if the Fund reduces the number of shares that you hold. You will not receive any compensation for the reduction in the number of Fund shares held in your account and such reduced shares will not be added back to your account in the future.

What is the Impact on an Investment in the Fund Using RDM as Compared to a Floating NAV?

This Example is intended to help you compare the impact on an investment in a fund using RDM with the impact on an investment in a floating NAV fund. The Example assumes:

- You have invested \$1 million in the Fund and hold 1 million shares with each share priced at \$1.00 at the start of Day 1.
- Your portion of the Fund’s negative income accrual per day is \$500 (this is your portion of the total daily Fund negative income accrual based on the amount of Fund shares outstanding you hold).

The Example is intended for illustrative purposes and the actual amount of negative income accrued (and therefore closing investor account value) may be different depending on market conditions.

The RDM will only occur on each business day on which the income accrued on the fund’s portfolio securities before deduction of expenses is negative. For a fund using RDM or a fund that floats its NAV, on each such day, a negative fund income factor is calculated at the fund level (total amount of negative income, divided by total shares). The negative income factor is multiplied by the number of Fund shares you hold to determine your pro rata portion of the Fund’s daily negative income. For a fund using RDM, the negative fund income factor determines the reduction in investor shares (negative fund income factor, multiplied by the number of shares held by the investor), as illustrated in the Example below. For a fund that floats its NAV, the negative fund income factor determines the reduction in the fund’s share price that is reflected in the closing share price (opening share price minus negative fund income factor), as illustrated in the Example below.

As demonstrated by this Example, the number of shares and NAV per share value differ at the end of each day based on which methodology is used, but the total ending value of the investment using either methodology is the same. In a negative interest rate environment when income accrued on the Fund’s portfolio securities before deduction of expenses is negative, an RDM fund reduces the number of shares whereas a floating NAV fund reduces the price per share.

	RDM Fund	Floating NAV Fund
Day 1		
Opening Shares Held By Investor	1,000,000.00	1,000,000.00
Opening Share Price	\$1.00	\$1.00
Opening Investor Account Value	\$1,000,000.00	\$1,000,000.00
Daily Negative Accrual for the Investor (Your Pro Rata Portion of the Fund's Negative Income)	\$500	\$500
Negative Fund Income Factor (Total Amount of Negative Income Divided by Total Fund Shares Outstanding)	(\$0.00050000)	(\$0.00050000)

Share Reduction (Negative Fund Income Factor Multiplied by Number of Shares You Hold)	(500.00)	N/A
Closing Shares Held by Investor	999,500.00	1,000,000.00
Closing Share Price	\$1.00	\$0.9995
Closing Investor Account Value	<u>\$999,500.00</u>	<u>\$999,500.00</u>
Day 2		
Opening Shares Held By Investor	999,500.00	1,000,000.00
Opening Share Price	\$1.00	\$0.9995
Opening Investor Account Value	<u>\$999,500.00</u>	<u>\$999,500.00</u>
Daily Negative Accrual for the Investor (Your Pro Rata Portion of the Fund's Negative Income)	\$500	\$500
Negative Fund Income Factor (Total Amount of Negative Income Divided by Total Fund Shares Outstanding)	(\$0.00050025)	(\$0.00050000)
Share Reduction (Negative Fund Income Factor Multiplied by Number of Shares You Hold)	(500.00)	N/A
Closing Shares Held by Investor	999,000.00	1,000,000.00
Closing Share Price	\$1.00	\$0.9990
Closing Investor Account Value	<u>\$999,000.00</u>	<u>\$999,000.00</u>

As noted above, the Fund is authorized to implement an RDM in a negative interest rate environment on each business day on which income accrued on the Fund's portfolio securities before deduction of expenses is negative. As demonstrated by the Example, the number of Fund shares held in your account would be reduced, although the Fund would continue to maintain a stable \$1.00 share price. However, your account balance would reflect the *pro rata* portion of the daily negative income and the value of your investment will decline. You should consult with your tax advisor on the potential tax consequences of the RDM.

Can I Redeem or Exchange my Fund Shares?

Yes. You may redeem or exchange your Fund shares at any time, either before or after the Implementation Date. Implementation of an RDM will impact the number of shares you have available for redemption or exchange. Please refer to the section of the Prospectus entitled "[•]."

If I have Questions, who Should I Call?

If you have questions, please call the number on the back of the Prospectus or your financial advisor.