Securities and Exchange Commission
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Chris Barnard

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- 17 CFR Parts 270 and 274
- Release No. IC-34441; File No. S7-22-21
- Money Market Fund Reforms

Dear Sir.

Thank you for giving us the opportunity to resubmit comments on your proposed rule on Money Market Fund Reforms. I will submit my main comments here for completeness.

You are proposing amendments to certain rules that govern money market funds under the Investment Company Act of 1940. The proposed amendments are designed to improve the resilience and transparency of money market funds. The proposal would remove the liquidity fee and redemption gate provisions in the existing rule, which would eliminate an incentive for preemptive redemptions from certain money market funds and could encourage funds to more effectively use their existing liquidity buffers in times of stress. The proposal would also require institutional prime and institutional tax-exempt money market funds to implement swing pricing policies and procedures to require redeeming investors to bear the liquidity costs of their decisions to redeem. The SEC is also proposing to increase the daily liquid asset and weekly liquid asset minimum liquidity requirements, to 25% and 50% respectively, to provide a more substantial buffer in the event of rapid redemptions. The proposal would amend certain reporting requirements on Forms N-MFP and N-CR to improve the availability of information about money market funds, as well as make certain conforming changes to Form N-1A to reflect proposed changes to the regulatory framework for these funds. In addition, the SEC is proposing rule amendments to address how money market funds with stable net asset values should handle a negative interest rate environment. Finally, the SEC is proposing rule amendments to specify how funds must calculate weighted average maturity and weighted average life.

I support the proposed amendments, which should act to reduce run risk, mitigate existing liquidity externalities that transacting investors impose on non-transacting investors, enhance the overall resilience of money market funds and reduce systemic risk.

Regarding swing pricing, I agree that money market fund investors transacting their shares typically do not incur the costs associated with their transaction activity. Instead, these liquidity costs are usually borne by shareholders remaining in the fund, which may contribute to a first-mover advantage and run risk. This tends to violate the equity principle, where the interests of shareholders not involved in a transaction should be unaffected by that transaction. Swing pricing would be reasonable and fair and should materially reduce redemption risk and reduce or remove first-mover advantages arising from mutualized liquidity. Given recent market developments, I would recommend that further consideration should be given to requiring all money market funds to be subject to the proposed swing pricing requirement.

Yours faithfully

C.R.B.

Chris Barnard