Press Release

SEC Proposes Amendments to Money Market Fund Rules

Proposed amendments would improve the resilience and transparency of money market funds

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Washington D.C., Dec. 15, 2021 — The Securities and Exchange Commission today voted to propose amendments to certain rules that govern money market funds under the Investment Company Act of 1940. In March 2020, growing economic concerns about the impact of the COVID-19 pandemic led investors to reallocate their assets into cash and short-term government securities. Prime and tax-exempt money market funds, particularly institutional funds, experienced large outflows, which contributed to stress on short-term funding markets. The Commission's proposed amendments are designed, in part, to address concerns about prime and tax-exempt money market funds highlighted by these events.

"Together, these amendments are designed to reduce the likelihood of runs on money market funds during periods of stress," said SEC Chair Gary Gensler. "They also would equip funds to better meet large redemptions, addressing concerns about redemption costs and liquidity. Given the broad reach of short-term funding markets, these proposals speak to our remit to maintain fair, orderly, and efficient markets."

The proposed amendments would increase liquidity requirements for money market funds to provide a more substantial liquidity buffer in the event of rapid redemptions. The proposed amendments also would remove provisions in the current rule permitting or requiring a money market fund to impose liquidity fees or to suspend redemptions through a gate when a fund's liquidity drops below an identified threshold. These provisions appeared to contribute to investors' incentives to redeem in March 2020 as some funds' reported liquidity levels declined.

To address concerns about redemption costs and liquidity, the proposal would require institutional prime and institutional tax-exempt money market funds to implement swing pricing policies and procedures that would require redeeming investors, under certain circumstances, to bear the liquidity costs of their redemptions.

Further, the proposal would amend certain reporting requirements to improve the availability of information about money market funds and enhance the Commission's monitoring and analysis of these funds.

The SEC began evaluating the need for further money market fund reforms following the events in March 2020. The proposal follows a request for comment the SEC issued to gather public feedback on potential money market fund reforms, including reform options discussed in a December 2020 report of the President's Working Group on Financial Markets.

The proposal will be published on SEC.gov and in the Federal Register. The comment period will remain open for 60 days after publication in the Federal Register.

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Related Materials

- Proposed Rule
- Fact Sheet