

CMFI Email Alert
2/24/10

Subject: New SEC Money Market Fund Rules

The Securities and Exchange Commission (“SEC”) posted new money market fund rules on its website yesterday. Click on the following link to review this 220-page document: <http://www.sec.gov/rules/final/2010/ic-29132.pdf>

As a result of the financial crisis, the SEC is amending its current money market fund rules to make these funds more resilient to short-term market risks and to improve investor protections.

One of the provisions in the SEC’s proposed rules requires money market funds to adopt “know your customer” policies and procedures designed to evaluate the risk characteristics and anticipated redemption needs of the shareholders investing in a particular fund. Since so many funds trade through financial intermediaries which use omnibus accounting, the identities and transactions of many shareholders remain hidden from mutual fund compliance personnel.

The Coalition of Mutual Fund Investors (“CMFI”) sent a comment letter to the SEC that argued for more transparency within these hidden accounts held by financial intermediaries. You can review this CMFI comment letter by clicking on the following link: <http://www.investorscoalition.com/CMFICommentLettertoElizabethMurphy.pdf>

Since money market funds are exempt from the information-sharing provisions of SEC Rule 22c-2, the SEC has opened the door for more transparency within these accounts by permitting funds to seek access to underlying investor information within these intermediary accounts. Access to this information would be accomplished through new contractual arrangements between money market funds and their financial intermediaries. The discussion in the Final Rule on this point can be found on pages 53-54 and in footnote 201.

If you have any questions about CMFI’s position on this Final Rule or on any other mutual fund issue, please contact me via email at nielsholch@att.net

Thank you for your interest in CMFI.

Niels Holch
Executive Director
Coalition of Mutual Fund Investors