IDC Independent Directors Council
Promoting Excellence in Fund Governance

ICI VIEWPOINTS

FEBRUARY 21, 2013

# Money Market Funds: There Goes the Wall Street Journal Again

By Paul Schott Stevens

Over the past three years, the *Wall Street Journal* has published six editorials on money market funds, and each has advanced more myths and distortions about these funds. By the time we saw the latest ("The SEC's Big Chance," Review & Outlook, Feb. 20), we were shaking our heads in disbelief. As Ronald Reagan once said, "There you go again."

These inaccuracies, however, are no laughing matter for the millions of investors who rely on money market funds—or for the businesses, nonprofits, and municipal governments that depend on these funds for financing.

The misleading assertions start with the notion that "taxpayers have been waiting years" for the Securities and Exchange Commission to reform money funds. We refer readers to the SEC's Jan. 27, 2010 press release, "SEC Approves Money Market Fund Reforms to Better Protect Investors," outlining a sweeping set of reforms that have already proven to make these funds more resilient.

The editorial's core argument—that money funds use an "accounting fiction" to maintain a stable value—is also false. Under GAAP, amortized cost accounting commonly is used by financial and nonfinancial firms to value short-term, high quality assets—like those that money market funds must hold. Its use has been well-supported by regulators and standard-setters for more than 30 years. Detailed disclosures demonstrate that money market funds' mark-to-market values seldom vary from $1.00 by more than one-hundredth of a cent, further supporting the use of amortized cost.

We do agree that the SEC is the appropriate agency to consider any further reforms. The SEC moved swiftly to make reforms in 2010. Last summer, a bipartisan majority resisted the chairman's rush toward further structural changes because commissioners wanted data to analyze the effects of those reforms. The commissioners now have that study, and have said they are moving steadily ahead to offer new proposals. The fund industry will address those ideas when they're issued. Until then, we believe that a deliberate, thoughtful approach to regulation is to be applauded—not scorned.

*Paul Schott Stevens was President and CEO of ICI.*