Independent Directors Council
Promoting Excellence in Fund Governance

Comment, Financial Times: "Almost 20 Money Market Funds Bailed Out"

Comment on “Almost 20 Money Market Funds Bailed Out”

This story takes old numbers and tries to present them as news. Contrary to its suggestion, US money market funds have not incurred threatening losses since the financial crisis of 2007–2009.

At the Investment Company Institute, we’ve looked at every data source available on sponsor support—a study by the Federal Reserve Bank of Boston, data from the US Securities and Exchange Commission, and public filings of fund sponsors. These data show that in almost every case, “support” in 2010 and 2011 reflects sponsors’ decisions to remove very small losses incurred during the financial crisis from their funds’ books. Those actions were caused by the financial crisis—not by later events.

The exceptions: in three cases, the funds’ sponsors bought downgraded securities out of the funds’ portfolios to maintain the funds’ AAA ratings. In three other cases, the sponsors bought the funds’ holdings of British Petroleum securities to limit risks to investors in the middle of the Deepwater Horizon oil spill. None of those six funds was in danger of taking losses or breaking the dollar, and the sponsors received full value when the purchased securities matured.

All of these instances have been well known to regulators and rating agencies for a year, as evidenced by this article. And nothing we have seen since—including the outflows caused by last week’s standoff over the US debt ceiling—indicates that money market funds have needed support “to prevent them from making losses since the 2007-09 financial crisis.”

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