

Letter to the Editor, American Banker: Money Market Funds' U.S. Guarantee Was Limited and Temporary

Money Market Funds' U.S. Guarantee Was Limited and Temporary

(As published in [American Banker](#) on October 19, 2012)

"[Bair Floats Compromise to Extend TAG](#)" (Oct. 10) reflects a critical misunderstanding of the Treasury Department's Temporary Money Market Fund Guarantee Program implemented in September 2008.

The one-year program guaranteed only the amount of money in a money market fund account as of close of business Sept. 17, 2008. Because of the program's limited coverage, business customers of banks could not, as the article stated, "immediately take their money from banks and deposit them into money market mutual funds" in order to get "full protection."

The Investment Company Institute has never sought nor wanted federal insurance for money market funds. Instead, we agreed to the Treasury guarantee program because Treasury Secretary Henry Paulson regarded it as essential to help calm investors and the markets.

The TGP was limited and temporary, as the ICI had urged. The program served its purpose and ended, as planned, in September 2009 without a single claim. In fact, the Treasury and U.S. [taxpayers received an estimated \\$1.2 billion](#) in fees paid by participating money market funds.

Other than the limited and temporary program during an extraordinary global financial crisis, money market funds have never been insured or guaranteed by the FDIC or any other government agency—as these funds clearly disclose in their prospectuses and advertisements. There is no explicit or implicit guarantee on money market funds.

ICI continues to oppose any extension of the FDIC Transaction Account Guarantee Program, for the same reason we urged that the money market fund guarantee program be temporary and limited: the moral hazard issues that would result from effectively guaranteeing the entire banking industry. TAG should be allowed to expire at the end of this year, as stipulated under current law.

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The Investment Company Institute is the national trade association for registered investment companies, including money market funds.

For more on money market funds, visit ICI's [money market funds resource center](#) and www.preservemoneymarketfunds.org.