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Letter to the Editor, Wall Street Journal: Editorial Misleads on Money Market Funds

Letter to the *Wall Street Journal* on Editorial Misleads on Money Market Funds

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Over the past three years, the Journal has published six editorials on money-market funds. By the time we saw the latest ("The SEC's Big Chance," Review & Outlook, Feb. 21), we were shaking our heads in disbelief. As Ronald Reagan once said, “There you go again.”

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 measures that have already proved to make these funds more resilient.

The editorial’s core argument is that money funds use an “accounting fiction” to maintain a stable value. But under GAAP, amortized cost accounting commonly is used by financial and nonfinancial firms to value short-term, high-quality assets. Detailed disclosures show that money-market funds' mark-to-market values seldom vary from $1 by more than one-hundredth of a cent.

We do agree that the SEC is the appropriate agency to consider any further changes. The SEC moved swiftly to make reforms in 2010. Last summer, a bipartisan majority resisted former Chairman Mary Schapiro’s rushed proposals 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. Such a thoughtful approach to regulation is to be applauded—not scorned.

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