Industry Torn on Best Money Fund Reform: Poll

By Danielle Sottosanti, *Ignites*, June 12, 2013

The fund industry generally prefers liquidity fees and redemption gates to other proposed money fund reforms, but it is not dead set against a floating NAV for prime institutional money funds, an *Ignites* poll shows.

To be sure, 45%, or 99 respondents, voted in favor of liquidity fees and redemption gates, making that the plurality response to the poll asking which money fund reform is best. The Securities and Exchange Commission voted last week to propose several potential reforms, as reported.

Yet, 31%, or 68 respondents, voted in support of floating prime institutional money funds' net asset value (NAV), ranking that option second in the poll. Under this option, government and retail money funds' NAV would remain stable at $1.

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Niels Holch, executive director of the Coalition of Mutual Fund Investors, is among those who support liquidity fees and redemption gates as the best option for preventing a run on a money fund in a financial crisis. "I think those two together really address the hot money problem," he says.

He, like Commissioner Troy Paredes, does not believe a floating NAV for prime institutional funds is necessary. Indeed, if it were imposed, it would discourage institutional investors from using money funds, Holch says, and instead institutional assets would flow into other cash management channels, such as bank deposits.

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Indeed, although Holch is himself against a fluctuating NAV for prime institutional money funds, he is not surprised that some *Ignites* poll respondents favor it.

"The floating NAV [for prime institutional funds] is a compromise, so I'm not surprised that this particular proposal has some industry support," he says. "The industry has really made a lot of progress on the floating NAV issue, but I'm still not convinced that a floating NAV on any fund is the answer."