

Johnson Statement on Money Market Fund Hearing

WASHINGTON – Today, Senate Banking Committee Chairman Tim Johnson (D-SD) held a hearing titled “Perspectives on Money Market Mutual Fund Reforms.”

Below is Chairman Johnson’s statement as prepared for delivery:

“Today, we are here to review the current state of regulations responsible for providing stability to the money market mutual funds and protecting investors. More than fifty million municipalities, companies, retail investors and others use money market mutual funds. There are \$2.6 trillion invested in these funds, which are often viewed as convenient, efficient and predictable for cash management, investment and other purposes. With Americans so heavily invested in these funds this Committee has a responsibility to conduct oversight to see to it that the Securities and Exchange Commission is doing its part and has the resources and authority necessary to effectively regulate this critically important financial market.

“Market uncertainty during the financial crisis in 2008 destabilized the money market mutual fund industry, prompting the Treasury Department to temporarily guarantee funds’ holdings. That one-year guarantee prevented a potential systemic run on the money market mutual fund industry.

“In response, the SEC adopted significant new rules in 2010 designed to increase the funds’ resilience to economic shocks and to reduce the risks of runs. The key reforms required funds to shorten maturities of portfolio holdings, increase cash holdings, improve credit quality, and report their portfolio holdings on a monthly basis.

“The adoption of these rules has no doubt improved investor protection, but questions still remain about what risk the funds present to investors and the American economy, and whether more action needs to be taken to address that risk.

“Some regulators and economists have raised concerns that money market funds pose significant risks to financial stability, and have argued for further structural changes in addition to the 2010 reforms. They have proposed floating the net asset value, requiring a capital buffer and imposing redemption restrictions.

“At the same time, some funds and users, including municipalities, corporations and retail investors, have urged caution, arguing that further reforms should wait until the impact of the 2010 reforms can be more fully studied. They have raised concerns that new regulatory changes might increase risks or disrupt or damage their operations.

“Recognizing the diversity of views on this topic, today’s hearing is an opportunity to examine the SEC’s current regulation of the funds, including the impact of the 2010 reforms, and to better understand whether additional regulations are needed.

“Our witnesses today represent many interested parties and a broad range of perspectives, including the industry’s regulator, the industry itself, users of the industry’s products, and an academic expert.

“I hope to hear from our witnesses about the health and stability of money market funds today, the impact of the 2010 reforms, the potential positive and negative consequences of the additional proposed reforms, and how funds have performed during recent severe economic events such as the European debt crisis.

“I look forward to hearing their testimony and recommendations as we continue our rigorous oversight of the financial markets.”