

# Do Money Market Funds Have a Future in the New Financial System?

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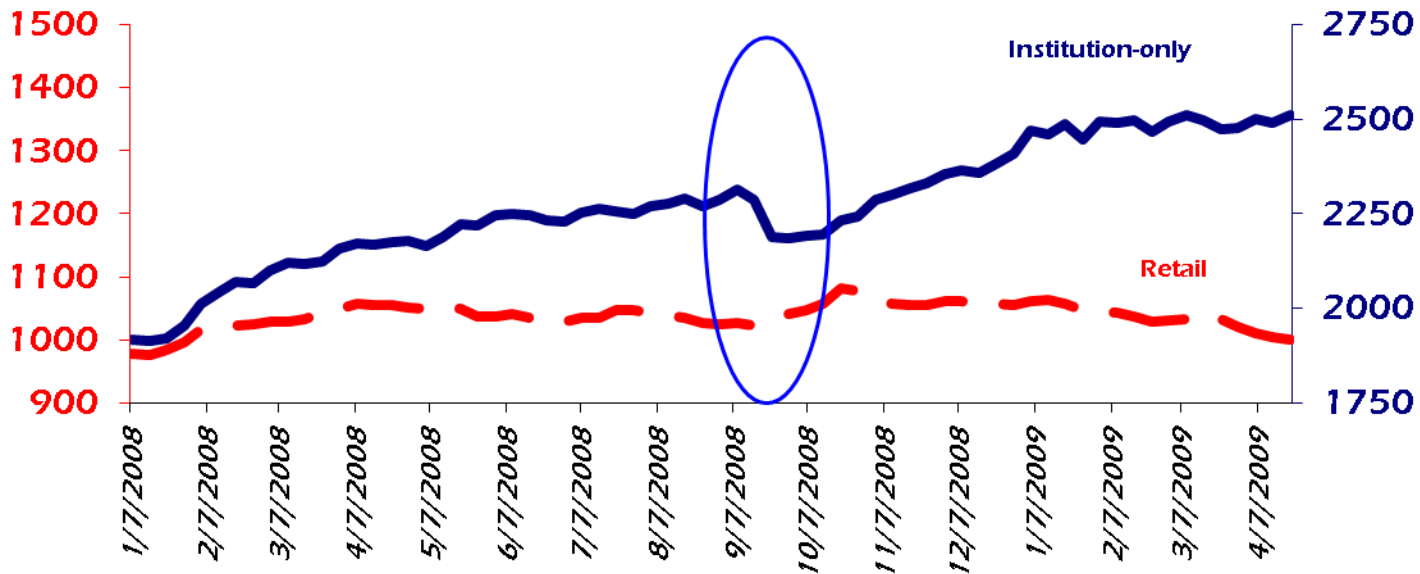
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*May 5, 2009*

# One remarkable week last September led policymakers to offer support to the industry

Money market mutual funds  
Billions of dollars



Source: Federal Reserve

# The government created programs to aid both sides of money funds balance sheets

## ◆ Assets

- **Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF)** provides funding to U.S. depository institutions and bank holding companies to finance their purchases of high-quality asset-backed commercial paper (ABCP) from money market mutual funds under certain conditions
- **Commercial Paper Funding Facility (CPFF)** provides a liquidity backstop to U.S. issuers of commercial paper
- **Money Market Investor Funding Facility (MMIIF)** facilitates sales of money market instruments in the secondary market

## ◆ Liabilities

- Temporary Guarantee Program for Money Market Funds

# The current situation is untenable in the long run

◆ government supports the assets money funds hold and guarantees their liabilities

◆ Will bring with it enhanced supervision and regulation

◆ The alternatives:

- Status quo ante
- Accept government guarantees of liabilities with the strings of supervision
- Enhance the liquidity of assets held through industry initiatives or government programs
- Change the business model with floating NAVs

## Presenters and discussants

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- ◆ Brian Reid, Investment Company Institute
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