

Frequently Asked Questions about the Treasury's Temporary Guarantee Plan for Money Market Mutual Funds

On September 29, the U.S. Department of the Treasury opened its [Temporary Guarantee Program for Money Market Funds](#) ("Program"), a plan to protect certain shareholders of money market mutual funds from losses if their funds are unable to maintain a \$1.00 net asset value ("break the buck"). The plan was first announced on September 19. Treasury has posted [investor and technical FAQs](#) on the Program, and the following questions and answers address its major features:

What does the Program cover?

The Program is designed to protect shareholders who had accounts in money market mutual funds as of September 19, 2008, if their funds cannot maintain a \$1.00 net asset value (NAV) (or, depending on the fund, a NAV or share price that is greater than \$1.00). Funds elected to enroll voluntarily in the Program and are paying a fee for coverage. If a fund enrolled, its shareholders will be protected for assets they had in their accounts as of the close of business on Friday, September 19.

What funds were eligible to participate?

According to Treasury, all money market mutual funds that are regulated under Rule 2a-7 of the Investment Company Act of 1940, maintain a stable share price of \$1 or more, and are publicly offered and registered with the SEC were eligible to participate in the Program. Tax-exempt and taxable money market funds were eligible to participate.

Why is the Program limited to accounts and assets as of Friday, September 19?

The decision to limit the Program to the value of accounts at the close of business on September 19 arose from grave concerns that ICI raised with the Treasury over the Program's potential effects on flows among funds. Recently, large institutional shareholders, who hold almost two-thirds of assets in money market funds, have been moving money from general-purpose money market funds into funds that invest primarily in Treasury securities. The Program raised fears that this flow of funds would suddenly reverse if general-purpose funds joined the Program. By limiting the protection to account balances as of September 19, Treasury's amendments should alleviate that problem.

Money market funds have \$3.4 trillion in assets. The Program is funded with \$50 billion. Is that enough?

We believe that the program is large enough to help restore investor confidence, for three reasons:

- In the 25-year history of money market funds, only one fund ever failed to maintain the \$1.00 NAV prior to the unprecedented market conditions of recent weeks. Money market funds are strictly regulated by the SEC and operate under tight requirements for the liquidity, creditworthiness, and diversification of their assets.
- When a fund cannot maintain the \$1.00 NAV, the shortfall is likely to be just pennies on the dollar. The fund that broke the buck in 1994 ultimately paid investors 96 cents on the dollar. If the guarantee plan were used, it would probably be called upon to pay only a small percentage of the assets of a covered fund.
- Recent large redemptions and other strains in money market funds have been caused primarily by lack of active trading in the money markets, principally in commercial paper. The Federal Reserve has taken and continues to take additional steps to improve liquidity in those and other markets. If those steps succeed in unlocking these markets, we have

every hope and expectation that this Program will never pay a claim.

I had an account in a money market fund on September 19, but I've withdrawn or added money since. How much am I covered for?

If your fund enrolled in the Program and then cannot maintain the \$1.00 NAV (or, depending on the fund, a NAV greater than \$1.00), you will be covered for the amount you had in the fund on September 19, or the amount you have when the Program is invoked-which-ever is less-so long as you did not actually close your account. [Treasury's investor FAQs](#) offer examples.

Is there a cap on the amount per account that's covered?

No, there is no per-account cap on the coverage.

Why should I invest now in a money market fund if I've missed out on the guarantee plan?

Money market funds have long provided investors with capital preservation along with competitive rates of return. Money market funds are strictly regulated by the SEC and operate under tight requirements for the liquidity, creditworthiness, and diversification of their assets. In 25 years, \$325 trillion in assets have flowed in and out of money market funds. Those same regulations are in place for all investors, whether they are covered by the guarantee plan or not.

Are retail and institutional shareholders all covered? What about foreign shareholders?

The plan covers all shareholders, retail and institutional, domestic and foreign, who had accounts on September 19 in the eligible funds that enrolled.

What about foreign-domiciled funds?

Only U.S.-registered funds that operate under Rule 2a-7 and are publicly offered were eligible for the plan.

How will I know if my fund is participating in the Program?

Ask your fund sponsor.

How long does the Program last?

The Program is intended to address temporary dislocations in credit markets. The initial Program will operate for three months, after which the Secretary of the Treasury will review it. The Secretary has the option to renew the Program until September 18, 2009. If the Secretary renews the Program after the three-month review, funds must re-enroll to extend their participation.

What were the Program costs? Who will bear the fees?

Funds paid a fee of 0.01 percent (1 basis point) or 0.015 percent (1.5 basis points) of their assets as of September 19, based on their NAV that day, for the initial three months. The fee may be paid from shareholder assets.

How will the coverage work?

If a participating fund cannot maintain its NAV (typically \$1.00, but sometimes more), and the fund sponsor chooses not to provide credit support, the fund board would notify the Treasury that it has determined to liquidate the fund. The fund would then close and liquidate. The Program would pay the fund the difference between a \$1.00 NAV (or an NAV of greater than \$1.00) and its shareholder payout; the fund would distribute that payment to shareholders.

Does the Program cover a fund that broke the buck before September 19?

No.

What should I do if I'm concerned about my money market fund?

Contact the fund company for its latest available information.

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