April 12, 2021

Via Electronic Submission on www.sec.gov

U.S. Securities and Exchange Commission
Attn: Ms. Vanessa Countryman, Secretary
100 F Street, NE
Washington, D.C. 20549-1090

RE: President's Working Group Report on Money Market Fund Reform
File Number S7-01-21; Release No. IC-34188

Dear Ms. Countryman:

Dreyfus Cash Investment Strategies ("Dreyfus CIS"), a division of BNY Mellon Investment Adviser, Inc. ("BNYM Investment Adviser"), welcomes the opportunity to comment on the money market fund reform options discussed in the "Report of the President's Working Group on Financial Markets: Overview of Recent Events and Potential Reform Options for Money Market Funds" (the "Report"). BNYM Investment Adviser is registered with the U.S. Securities and Exchange Commission (the "Commission") as an investment adviser under the Investment Advisers Act of 1940. As of March 31, 2021, BNYM Investment Adviser managed 129 domestic investment company portfolios with approximately $301 billion in assets, for approximately 216 thousand investor accounts nationwide. As of the same date, BNYM Investment Adviser managed approximately $215.3 billion invested in 25 domestic money market mutual funds structured within the confines of Rule 2a-7 under the Investment Company Act of 1940.

Introduction

BNYM Investment Adviser supports the Report's overarching goals for money market fund reform: effectively addressing the structural vulnerabilities in money market funds that have been impacted by stress in short-term funding markets, improvement of the resilience and functioning of short-term funding markets, and reducing the likelihood that interventions and taxpayer support would be needed to prevent future money market fund runs or address stresses in short-term funding markets. The 2008 financial crisis and the 2020 financial crisis had similar market impacts, including investor runs on institutional prime money market funds and a freezing of the short-term credit market. However, it is important to note that these two crises diverge in a key respect – their causes. The 2008 financial crisis was caused by several factors, including failed counterparty credit risk. The 2020 financial crisis was triggered by a global pandemic which highlighted structural deficiencies in the short-term funding market and severely reduced and hampered liquidity in these markets. Money market funds did not cause the market stress that the industry experienced in March 2020, but were adversely impacted by it. Therefore, we support

the effort underway to review such vulnerabilities and to further enhance the resiliency of money market funds to meet investor expectations and redemptions in various market conditions.

BNYM Investment Adviser has assessed the ten reform options offered by PWG in its Report. Due to the breadth of suggestions offered, we are focusing on specific suggestions that we believe would have the greatest potential to support the continued smooth functioning of the money market fund industry in various market environments. The three reform options that we believe would be most impactful are (i) the decoupling money market fund weekly liquidity and liquidity fee and redemption gate thresholds, (ii) reform of conditions for imposing redemption gates and (iii) money market fund weekly liquidity management changes. With regard to this third reform option, we have included an additional suggestion which is not included in the Report, but which we believe further supports the goals of the Report. This suggestion is to require prime money market funds to hold a minimum investment in securities issued by the U.S. government. We provide details on the ways in which we believe these options may be utilized in Sections A to C below.

BNYM Investment Adviser has considered the remaining seven reform options proposed in the Report. We are not inclined to support these options for the various reasons outlined in more detail in Section D of this letter and in the comment letter from the Investment Company Institute, dated April 12, 2021 (the "ICI Letter"). However, we appreciate the opportunity to address the Commission directly with our own comments at a future date, if desired.

A. Decoupling MMF Liquidity and Fee and Gate Thresholds

We support the Report's assertion that the imposition of a liquidity fee ("fee") and/or redemption gate ("gate") by one fund, or the perception that a fee and/or gate will be imposed by a fund in the near future, could lead to widespread redemptions from other funds. We agree with the Report's suggestion that the tie between the Rule 2a-7 requirement imposing a 30% weekly liquid asset ("WLA") minimum (the "WLA Portfolio Minimum") and the WLA percentage threshold at which a fund's Board of Directors or Trustees (the "Board") may consider the potential imposition of fees and/or gates (the "WLA Governance Threshold") could motivate investors to redeem in situations where a fund's WLA moves towards 30%, in an attempt to avoid the potential imposition of a fee and/or gate.

We believe that decoupling the WLA Governance Threshold from the WLA Portfolio Minimum would help mitigate or eliminate the unintended (although not necessarily unforeseen) consequence of the current rules, namely, preemptive runs on funds in times of market stress, even in cases where the funds otherwise have more than adequate liquidity. This type of preemptive run is, in fact, what occurred during March 2020. We do not agree that the tie between the WLA Governance Threshold and the fund's WLA percentage should be removed completely.

The purpose of the WLA Portfolio Minimum is to ensure that a money market fund maintains adequate liquidity to meet shareholder redemptions within the ordinary course of business. The WLA percentage for each money market fund is published daily and is closely watched by fund investors, particularly during stressed markets. By tying the WLA Portfolio Minimum to the potential imposition of fees and/or gates, money market funds are much more

susceptible to preemptive redemptions from investors as the fund's weekly liquid asset percentage declines and approaches 30%. These redemptions, in turn, tend to drive the WLA percentage down even further. In these situations, tying the potential imposition of fees and/or gates to the WLA Portfolio Minimum operates to impair the ability to use a fund's liquidity to meet redemptions. We recommend keeping both the WLA Portfolio Minimum and the ability for a fund's Board to consider the imposition of fees and/or gates based on a pre-determined WLA Governance Threshold, but we believe that decoupling the two would mitigate the impact of preemptive redemptions while preserving or building liquidity.

We also believe that it is important that a fund's Board have the ability to impose fees and/or gates when the Board determines that it is in the best interests of the fund. We also believe, however, that the Board's discretion should be tethered to a specific WLA percentage that applies to money market funds that are required to impose fees and/or gates under Rule 2a-7, rather than left open-ended and subject to the discretionary determination of individual fund boards. If the Board has unfettered discretion, we fear that the resulting ambiguity and uncertainty as to when the Board might intervene would lead to much of the same precautionary redemptions that we experienced in March 2020. We therefore propose that a definitive WLA Governance Threshold be maintained, but that the threshold be lowered to a level that will not trigger de facto runs on funds that have ample liquidity. We suggest that the Board of a fund should be required to evaluate the imposition of fees and/or gates once a fund's WLA percentage reaches 15%.

We believe that lowering the WLA Governance Threshold, rather than removing its tie to the fund's WLA percentage completely, directly addresses the potential drawbacks that the Report outlines. Introducing a trigger point of 15% would avoid the "broader contagion" of fear over the potential imposition of fees and/or gates that the PWG warns of. It should be noted that the potential imposition of fees and/or gates was originally tied to a 15% WLA Governance Threshold in the SEC's 2013 rule proposal (Release No. 33-9408). However, this was increased in the 2014 final rule (Release No. 33-9616) to the current 30% WLA Governance Threshold, based in part on the proposition that "redemptions when the fund still has this much internal liquidity would not lead to fire sales or other such adverse effects." Unfortunately, the precautionary redemptions that we experienced in March 2020 have confirmed that preemptive runs may in fact occur even when a fund's WLA percentage remains at or about 30%.

B. Reform of Conditions for Imposing Redemption Gates

We agree with the Report's assertion that reforming the rules regarding redemption gates could reduce investors' incentive to engage in preemptive runs on funds in times of market stress. Though the PWG has offered multiple ways in which redemption gates could be reformed, we believe that the option most likely to achieve the Report's goals would be to reduce the WLA Governance Threshold at which a fund's Board should be required to evaluate the imposition of fees and/or gates. As we described in Section A, a fund's WLA percentage is closely watched by investors. To reduce the likelihood of preemptive runs occurring when a fund's WLA percentage decreases to 30%, we recommend that the Board of a fund be required to evaluate the potential imposition of fees and/or gates once a fund's WLA percentage reaches 15%.

The Report notes that a potential drawback to keeping any WLA Governance Threshold is that the stated threshold could still remain the focal point for runs and may do little to mitigate run incentives. However, we believe that if the fee and/or gate consideration level was lowered to 15%, it would be sufficiently distinguishable from the WLA Portfolio Minimum, reduce the incentive for investors to preemptively redeem, and provide greater flexibility for fund managers to utilize a fund's available liquidity.

C. Money Market Fund Liquidity Management Changes

1. Increase to WLA Portfolio Minimum

As noted in the Report, we believe that there would be potential benefits associated with money market fund liquidity management changes. Specifically, as the Report suggests, we believe it would be beneficial to money market funds to maintain a higher WLA Portfolio Minimum.

Accordingly, we would also support an increase to the WLA Portfolio Minimum to a level that would be consistent with the existing practice of maintaining weekly liquid asset percentages that are routinely already above 30%. We believe that a WLA Portfolio Minimum of 35%, instead of 30%, would be a simple and straightforward adaption for the industry. As we emphasized in Section A, the WLA percentage for each money market fund is closely watched by investors, particularly in times of market stress. We believe that if the WLA Portfolio Minimum were raised to 35%, this proposed safeguard would help ensure that funds have adequate liquidity to meet increased redemption demands in times of market stress. Accordingly, if a fund's WLA percentage were to drop below 35%, we propose that the fund should only be permitted to buy weekly liquid assets until its WLA percentage is repaired and satisfies the WLA Portfolio Minimum. By uncoupling the WLA Portfolio Minimum from the WLA Governance Threshold as discussed above, our proposed increase in the WLA Portfolio Minimum to 35% should not increase the risk of preemptive redemptions from watchful investors.

2. Minimum Investment in Treasury Securities

Another way to enhance liquidity and to support the smooth functioning of money market funds in various market environments would be to require a mandatory minimum investment in securities issued by the U.S. government ("Treasury securities") in the case of prime money market funds.[1] As we noted in Section A, the purpose of a WLA Portfolio Minimum is to ensure that money market funds maintain adequate liquidity. We believe that requiring a certain percentage of a prime fund's portfolio assets to be invested in Treasury securities would help funds access liquidity in ordinary circumstances and in stressed market conditions. Treasury securities, which are backed by the full faith and credit of the U.S. government, are highly liquid and generally see increased demand in times of market stress.

We propose a minimum investment of 10% in Treasury securities for prime money market funds. We believe this threshold is a reasonable level which would provide stability, diversification, and performance benefits over government/treasury funds. In light of their tax-

[1] Prime money market funds are not currently subject to a regulatory requirement to invest in Treasury securities.

related goals and objectives, it would not be appropriate to impose this requirement on tax-exempt money market funds. Similarly, this requirement would not be necessary in the case of government money market funds which already invest in Treasury securities.

D. Consideration of Other Options Highlighted in Report

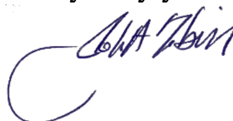
We have considered the other seven options included in the Report, however we do not believe that these would options would be commercially viable. For example, the suggestion that all prime and tax-exempt money market funds move to a floating net asset value ("NAV") generally would not be possible for fund intermediaries that utilize money market vehicles as sweep vehicles. Investors, particularly retail investors, are less likely to invest in a prime or municipal money market fund if it has a floating NAV. We believe that maintaining the differences between floating and constant NAV funds are essential to provide options to investors. Similarly, we do not support the suggestion to implement countercyclical weekly liquid asset requirements. The stability, liquidity, and diversification of money market funds are, arguably, the biggest benefits to investors in the industry. Implementing a countercyclical WLA in times of market stress would not change the fact that certain investors will be tempted to redeem in uncertain markets. We concur with the ICI Letter's reasoning behind why the remaining five reform options offered by the Report would not "preserve the viability of money market funds".

Conclusion

We appreciate the PWG's efforts in suggesting ten money market reform options that could help to protect investors and the money market fund industry. While each money market fund reform option presented an opportunity to reduce the likelihood of government interventions and taxpayer support, we believe that the three outlined suggestions would be the most effective in reducing preemptive redemptions, enhancing fund liquidity, and would continue to provide the benefits that investors have come to rely upon. As we discussed in Sections A-C, decoupling the WLA Portfolio Minimum from the 30% WLA Governance Threshold, reforming the conditions for the imposition of liquidity fees and/or redemption gates, and increasing a fund’s WLA Portfolio Minimum to 35% as well as including a new 10% minimum investment in Treasury securities for prime money market funds, are the options on which we believe the Commission should focus its reform.

We thank the Commission for the opportunity to present our views on the issues raised by the Report. We welcome the chance to speak further if you have questions or would like to open an active dialogue.

Very truly yours,



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