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April 11, 2022

Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Money Market Fund Reforms; File No. S7-22-21

Dear Ms. Countryman:

The Vanguard Group, Inc. ("Vanguard")[1] appreciates the opportunity to provide comments to the Securities and Exchange Commission (the "Commission" or "SEC") on its most recent money market fund ("MMF") rule proposal.[2]

As noted in our April 2021 letter,[3] Vanguard believes MMFs are an important choice for retail investors' cash management and principal preservation needs. For more than a decade, we have been actively involved in researching and evaluating MMF reform proposals, including SEC amendments to Rule 2a-7 that were implemented in 2010 and 2014. Those changes enhanced MMFs' credit quality, liquidity self-provisioning, and disclosures. In March 2020, the economic shock of the COVID-19 pandemic led to an unprecedented flight to liquidity and safety by investors and other market participants. Not surprisingly, government MMFs had significant inflows as investors sought the principal preservation, stability and safety that they offer. Prime MMFs experienced significant redemptions and, concurrently, the commercial paper ("CP") market on which they rely, froze.

In response, Vanguard looked closely at its MMF offerings, and in August 2020 announced that Vanguard Prime Money Market Fund would be reorganized into a government MMF. We recognized that retail investors prioritize stability when selecting money market investments and the change in investment strategy would enable the fund to continue to meet investors' expectations in all market conditions without ad hoc government intervention. Our decision to exit prime also took into account changing market dynamics that warrant review by financial market regulators so that the short-term markets are more resilient in future crises.

We recognize the Commission has taken several steps to strengthen prime MMFs and, having carefully considered the relevant tradeoffs associated with prime MMFs and the markets in

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[1] Vanguard is a leading global investment management organization that offers a large selection of low-cost mutual funds, exchange-traded funds, investment advice, and related services to individual investors, financial professionals, and institutional investors. As of March 31, 2022, we acted as investment adviser to more than 200 U.S. mutual funds registered under the Investment Company Act of 1940. As of March 31, 2022, Vanguard managed assets globally on behalf of more than 30 million investors. Vanguard has managed MMFs since 1981, and our shareholders currently invest approximately $355 billion in our MMFs.

[2] Money Market Fund Reforms, 87 Fed. Reg. 7248 (Feb. 8, 2022).

[3] *See* Letter from Gregory Davis, Chief Investment Officer, The Vanguard Group, Inc., to Vanessa A. Countryman, Secretary, U.S. Securities and Exchange Commission, dated April 12, 2021, *available at* https://www.sec.gov/comments/s7-01-21/s70121-8662453-235301.pdf.

which they invest, we write generally in support of the Commission's proposal, which is consistent with many of the recommendations from our April 2021 letter. We support the proposals to eliminate liquidity fees and redemption gates and to increase daily and weekly liquidity requirements, which we believe are critical to improving the resilience of MMFs in periods of market stress. We also agree with the Commission's desire to ensure MMFs are prepared to float their net asset value in an extended negative interest rate environment but would encourage the Commission to consider a longer implementation timeframe that would better balance the costs and benefits associated with the approach, particularly in the current rate environment.

Although we support the reforms noted above and recognize their value in helping to strengthen prime MMFs, we continue to have concerns about prime MMFs given their reliance on the CP market. Further, while we recognize the Commission's desire to implement additional reforms to these products, such as swing pricing, policymakers should consider what additional steps can be taken to improve CP market structure and ensure sufficient liquidity exists during times of stress. Though the proposed product reforms outlined would address the run risk presented by fees and gates within the fund structure, fund reform alone does not – and cannot – eliminate liquidity risk in the underlying short-term wholesale funding markets. Policymakers should look closely at these markets, their tools and the various events surrounding the March 2020 volatility, to improve resiliency in this critical segment of our markets.

Finally, we encourage policymakers to carefully consider the operational costs and benefits associated with requiring swing pricing in the United States. Given the history of prime MMFs, we recognize the desire to do more but, at least with respect to other open-end bond funds,[4] the data suggest the operational costs of swing pricing may outweigh its benefits.

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Vanguard appreciates the opportunity to comment on the proposal. If you have any questions or would like to discuss our views further, please contact Laura J. Merianos, Principal, laura_j_merianos@vanguard.com; or Ricardo Delfin, Principal, ricardo_delfin@vanguard.com.

Sincerely,

/s/ Gregory Davis

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Gregory Davis
Chief Investment Officer
The Vanguard Group, Inc.

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[4] The current U.S. market structure was designed to support many different types of investors and platforms, including those operating through retirement plans and on third-party platforms. The choices investors make on these platforms or through financial intermediaries are often aggregated, netted, and verified before the relevant data is delivered to fund companies late in the day or evening. In addition, there are often many layers of intermediaries through which trade information passes before reaching the fund. As a result, underlying shareholder transactions typically are processed at the end of the day only *after* receiving each fund's NAV. This data is critical to applying basic elements of the swing pricing proposal, creating a difficult Catch 22 for fund companies. In addition, the sudden and rare imposition of a hard to determine "market swing factor" will add new challenges during these rare events.