



BUSINESS NEWS SEPTEMBER 29, 2008 / 12:29 PM / UPDATED 12 YEARS AGO

Treasury opens money market guarantee program

By David Lawder

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WASHINGTON (Reuters) - The Treasury Department said on Monday its temporary guarantee program for up to \$3.4 trillion in money market mutual fund assets held as of September 19 was now in effect for a three-month period.

The Treasury said each fund regulated by the U.S. Securities and Exchange Commission that maintains a stable stock price of \$1 can now decide whether to pay a fee to participate in the program.

Money market mutual fund shares acquired after September 19, when the Treasury announced the plan, will not be guaranteed under the program.

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Those with a net asset value below \$0.995 on September 19 are not eligible for the program, and those between \$0.995 and \$0.9975 on that date must pay a 1.5 basis-point fee.

The Treasury created the program to try to stem a massive run on about \$3.4 trillion in money market mutual fund assets after the Reserve Primary Fund -- one of the oldest U.S. money market funds -- fell below \$1 per share -- a phenomenon known as “breaking the buck.”

According to the Investment Company Institute, the trade group for the mutual fund sector, assets in program-eligible funds regulated under section 2a-7 of the Investment Company Act of 1940 have steadily declined this month. They fell to \$3.398 trillion on September 24 from \$3.413 trillion on September 17 and \$3.586

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held on September 19 will remain valued at \$1 per share if the fund's net asset value breaks the buck. The program will use about \$50 billion from the Exchange Stabilization Fund, which was created during the Great Depression to help stabilize the dollar.

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Treasury Secretary Henry Paulson will review the program after a three-month term to determine whether to extend it. Funds will have to pay an additional fee to renew their participation if the program is extended.

If he opts to continue it, Paulson may have to find another funding source. The final \$700 billion financial bailout bill negotiated over the weekend requires that

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“My hope is that we would not need it three months hence,” said Paul Schott Stevens, president of the Investment Company Institute. “Money market funds have always been historically deep and liquid. If that condition returns, as we hope and expect it will, there’ll be no need for a guarantee program.”

Reporting by David Lawder; Editing by Jan Paschal

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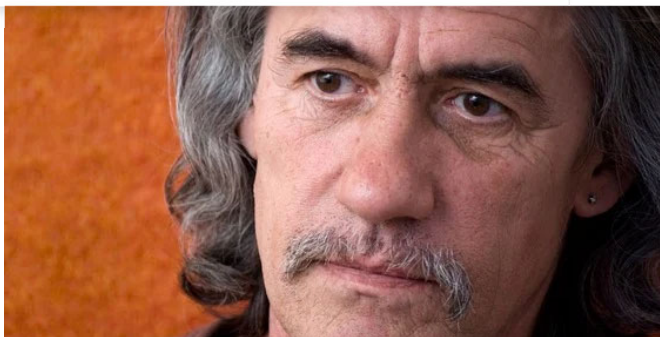
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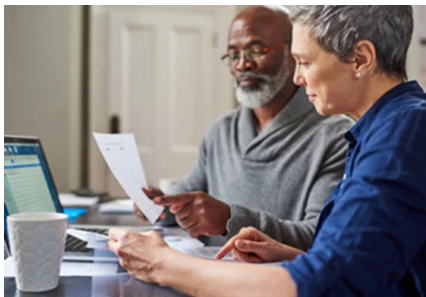
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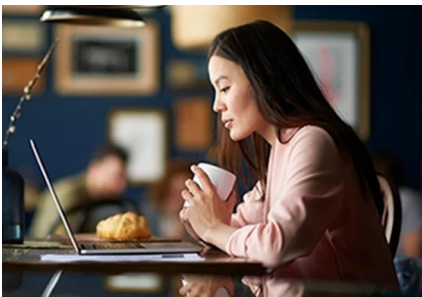
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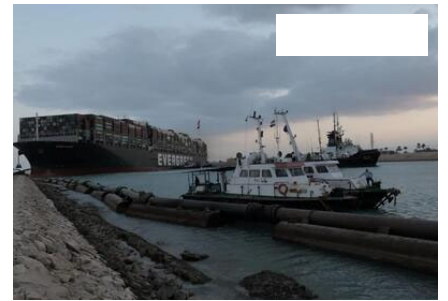
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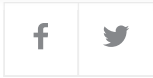
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