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Fed Prepared to Prop Up Money-Market Funds

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Summary

“The Federal Reserve yesterday created a program to provide cash to money-market mutual funds, the latest step in a vast expansion of the government's safety net for the financial system.

The Fed will make up to \$540 billion available to buy assets from money-market mutual funds -- in which pension funds, university endowments and millions of Americans stash money -- if they need it. The measure is intended to keep the funds from experiencing cash crunches.

Money-market mutual funds invest by lending money on a short-term basis to companies, banks and other financial institutions, as well as the government. They are normally considered safe places to park cash because they buy only debt that is highly likely to be paid back.”

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