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May 24, 2012

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Proposed Rule: Definition of "Predominantly Engaged in Financial Activities"; RIN 7100–AD–64 / Docket No. R-1405

Dear Ms. Johnson:

We are writing on behalf of our client, Federated Investors, Inc. and its subsidiaries ("Federated"), and on behalf of money market mutual funds ("Federated Money Funds") for which a Federated subsidiary serves as investment adviser and distributor, to provide comments on the above-referenced notice of proposed rulemaking ("NPR") by the Board of Governors of the Federal Reserve System ("Board").[1] Federated has served since 1974 as an investment adviser to money market mutual funds ("Money Funds").[2] We appreciate this opportunity to provide you with our comments.

Federated, as a participant in the money markets and a sponsor of the Federated Money Funds, and the Federated Money Funds themselves, are interested in many details of the NPR and related rulemakings. We are concerned that certain aspects of Titles I and II of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act" or "Act") and the implementing rules,[3] and the way they will be interpreted

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[1] *Definition of "Predominantly Engaged in Financial Activities"*, 77 Fed. Reg. 21494 (Apr. 10, 2012).

[2] Federated has over thirty-eight years of experience in the business of managing Money Funds and has participated actively in the money market as it has developed over those years. The registration statement for Federated's Money Market Management fund first became effective on January 16, 1974, making it perhaps the longest continuously operating Money Fund to use the Amortized Cost Method. Federated also received one of the initial exemptive orders permitting use of the Amortized Cost Method in 1979.

[3] Pub. L. No. 111-203, 124 Stat. 1376 (2010). These rulemakings include: Board, *Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies*, 77 Fed. Reg. 594 (Apr. 5, 2012); Financial Stability Oversight Council; *Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies*, 77 Fed. Reg. 21637 (Apr. 11, 2011); Board and FDIC, *Final Rule:*

Footnote continued on next page

and applied, will increase uncertainty, risk and volatility in the money markets and other fixed income markets, particularly in times of crisis. For instance, as we have stated in prior comment letters, we believe the process for designation of firms for Board oversight by the Financial Stability Oversight Council ("Council") should include formal consideration of the effects of a particular designation throughout the economy and the financial system. This would help to ensure that efforts to constrain risks in one firm do not simply shift risk to other parts of the financial system where the exposure of taxpayers and the financial system may be larger and more direct. Similarly, we are concerned that certain proposed rules and guidelines may be used inappropriately to designate Money Funds under Title I, which would harm not only Money Funds, but the persons who use them, with many unintended consequences across the economy.[4]

The NPR in this case supplements a prior notice and request for comment by the Board on proposed changes to Regulation Y that relate to the scope of the Council's authority to determine that a company should be subject to enhanced prudential regulations and supervision by the Board.[5] As we noted in comments filed in response to that prior notice, it is doubtful that open-end investment companies, including Money Funds, are subject to the FSOC's designation authority under the DFA.[6] Now, in the supplemental NPR, the Board attempts to superimpose new policies over prior, more limited interpretations of its powers. In doing so, the Board contravenes Congressional intent, and undermines confidence in regulatory policymaking processes.

Footnote continued from previous page
Resolution Plans Required, 76 Fed. Reg. 67323 (Nov. 1, 2011); Board and FDIC, *Notice of Proposed Rulemaking Regarding Resolution Plans and Credit Exposure Reports Required*, 76 Fed. Reg. 22648 (Apr. 22, 2011); FDIC, *Proposed Rulemaking Implementing Certain Orderly Liquidation Authority Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act*, 76 Fed. Reg. 16324-02 (Mar. 23, 2011), and FDIC, *Interim Final Rulemaking Regarding Orderly Liquidation Authority*, 76 Fed. Reg. 4207 (Jan. 25, 2011).

[4] Letter to FSOC *Re: Rulemaking Proposal "Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies"* (Dec. 15, 2011) (available at http://www.regulations.gov/#!documentDetail;D=FSOC-2011-0001-0053).

[5] *Proposed Rule: Definitions of "Predominantly Engaged in Financial Activities" and "Significant" Nonbank Financial Company and Bank Holding Company*, 76 Fed. Reg. 7731, 7737 (Feb. 11, 2011).

[6] Letter to Board Re: *Definitions of "Predominantly Engaged in Financial Activities" and "Significant" Nonbank Financial Company and Bank Holding Company* (Mar. 30, 2011) (available at http://www.federalreserve.gov/SECRS/2011/April/20110401/R-1405/R-1405_033011_69273_589557907011_1.pdf). The comments that we expressed in that letter are incorporated herein by reference.

I. The Council's Authority Under Title I.

Under Title I of the Dodd-Frank Act, the Council may determine that certain "nonbank financial companies" should be subject to enhanced prudential standards and supervision by the Board. Under the Dodd-Frank Act, a "nonbank financial company" is defined as a company that is "predominantly engaged in financial activities."[7] In Section 102(a)(6), the Act provides that a company is "predominantly engaged in financial activities" if either:

(a) the annual gross revenues derived by the company and all of its subsidiaries from activities that are financial in nature (as defined in Section 4(k) of the Bank Holding Company Act of 1956, as amended (the "BHC Act")), and, if applicable, from the ownership or control of an insured depository institution, represents 85 percent or more of the consolidated annual gross revenues of the company; or

(b) the consolidated assets of the company and all of its subsidiaries related to activities that are financial in nature (as defined in Section 4(k) of the BHC Act), and, if applicable, related to the ownership or control of an insured depository institution, represents 85 percent or more of the consolidated assets of the company.[8]

Thus, the Council's authority to designate a company for enhanced prudential regulation and Board supervision is defined exclusively, and limited, by Section 4(k) of the BHC Act.[9] Congress limited the authority of the Council to define what nonbank activities and businesses are "financial" by incorporating into the definition a term that has a specialized legal definition: "financial in nature (as defined in Section 4(k) of the BHC Act)." Congress further limited the scope of regulatory authority granted under Sections 113(c)(5) and (6) of the Dodd-Frank Act by specifying that only a designated company's "financial activities" as defined in Section 4(k), are subject to the Board's prudential supervision.

Pursuant to Section 4(k) of the BHC Act, the Board determines the activities that are "financial in nature" and thus permissible for financial holding companies and their non-bank subsidiaries. The Board has interpreted Section 4(k), or other provisions of law

[7] Act, Section 102(a)(4).

[8] Act, Section 102(a)(6).

[9] 12 U.S.C. § 1843(k).

or regulation that are incorporated in Section 4(k),[10] to permit financial holding companies and their subsidiaries to provide a variety of services to mutual funds. For instance, it has permitted bank holding companies to act as investment advisers to mutual funds,[11] and to provide administrative and other services to mutual funds.[12] It has also determined that owning, or controlling a *closed-end* investment company is a permissible activity.[13] However, the Board has not determined that an open-end investment company is a business that is financial in nature under the BHC Act nor has it permitted financial holding companies or their nonbank subsidiaries to own or control an open end investment company.[14] Under the Board's interpretations, this distinction is due to the capital structure and means by which an open-end investment company is continually engaged in issuing and redeeming investor shares at net asset value ("NAV").[15]

II. The Board's Original Notice of Proposed Rulemaking.

In February 2011, the Board published proposed amendments to Regulation Y in order to implement Section 102(a)(6) and other provisions of the Act.[16] In that NPR, the Board proposed rules that would have encompassed open end investment companies

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[10] Section 4(k)'s listing of activities includes activities that are permitted for bank holding companies under Section 4(c)(8) of the BHC Act or Regulation K.

[11] 12 CFR 225.28(b)(6).

[12] 12 C.F.R. 225.86(a)(2)(i).

[13] See 12 C.F.R. §§ 211.10(a)(11), 225.28(b)(6), 225.86(b)(3), 225.125; Petition of the United States in *Board of Governors of the Federal Reserve System v Investment Company Institute* (in U.S. Supreme Court Docket No. 79-927, October Term, 1979), 450 U.S. 46 (1981).

[14] See 12 C.F.R. §§ 211.10(a)(11), 225.28(b)(6), 225.86(b)(3), 225.125; Petition of the United States in *Board of Governors of the Federal Reserve System v Investment Company Institute* (in U.S. Supreme Court Docket No. 79-927, October Term, 1979), 450 U.S. 46 (1981).

[15] *See* 12 C.F.R. § 225.28(b)(6), § 225.125; *Unicredito Italiano S:p.A.*, 86 Fed. Res. Bull. 825 (2000); *Travelers Group Inc.*, 84 Fed. Res. Bull. 985 (1998); *Lloyds TSB Group plc* 85 Fed. Res. Bull 116 (1998); *Societe Generale*, 84 Fed. Res. Bull. 680 (1998); *Cooperative Centrale Raiffeisen-Boerenleenbank B.A. Rabobank Nederland Utrecht, The Netherlands*, 84 Fed. Res. Bull. 852 (1998); *Commerzbank AG*, 83 Fed. Res. Bull. 679 (1997); *BankAmerica Corp.*, 83 Fed. Res. Bull. 913 (1997); *Mellon Bank Corporation*, 79 Fed. Res. Bull. 626 (1993); *Bankers Trust New York Corp.*, 83 Fed. Res. Bull. 780 (1987); 12 C.F.R. §§ 211.10(a)(11), 225.86(b)(3). The Board has not engaged in any reinterpretation of this position even after the 1999 repeal of provisions of the Glass-Steagall Act that prohibited commercial banks from affiliating with entities engaged principally in the securities business.

[16] *Proposed Rule: Definitions of "Predominantly Engaged in Financial Activities" and "Significant" Nonbank Financial Company and Bank Holding Company*, 76 Fed. Reg. 7731, 7737 (Feb. 11, 2011).

within the universe of entities and activities that are deemed "financial in nature" as defined in Section 4(k) of the BHC Act. As noted above, the Board has historically not interpreted Section 4(k), or other provisions of law or regulation that are incorporated in Section 4(k),[17] in this fashion. Rather, as related in our prior comment letter,

> [T]he Board has gone out of its way *not* to determine that being, or controlling, an open-end investment company is a permitted Section 4(c)(8) or 4(k) activity. The Board has steadfastly refused for nearly six decades to interpret those provisions to permit bank holding companies to control, be affiliated with, or be open-end investment companies (*i.e.* mutual funds), and has taken actions to prevent that from occurring. The Board has *not* reinterpreted these provisions in wake of the Gramm Leach Bliley Act's 1999 repeal of Section 20 of the Glass-Steagall Act to permit bank holding companies or financial holding companies to be or control an open-end investment company using BHC Act Section 4(c)(8) or 4(k) powers, but has instead aggressively enforced the position that bank holding company cannot be or control mutual funds.[18]

In short, for purposes of Title I of the Dodd-Frank Act, a mutual fund may not be deemed a "non-bank financial company" because the Board has never determined that being or operating as an open-end investment company is a "financial" activity that is permissible for a financial holding company. In addition, as noted above, Sections 113(c)(5) and (6) of the Dodd-Frank Act specify that it is only the "financial activities," as defined in Section 4(k) of the BHC Act, that are subject to prudential supervision by the Board at a designated nonbank financial company. As a result, even if a money fund were designated by the Council under Title I, Section 113(c) would preclude the Board from exercising prudential supervision over the aspect of money funds that makes them "open-end" — their capital structure and their processes and mechanisms for issuing and redeeming shares. Jurisdiction over the regulation of those processes is squarely vested in the SEC under the securities laws.

[17] *I.e.*, Section 4(c)(8) of the BHC Act and Regulation K.

[18] Letter to FSOC *Re: Definitions of "Predominantly Engaged in Financial Activities" and "Significant" Nonbank Financial Company and Bank Holding Company,* at 8 (Mar. 30, 2011) (available at http://www.federalreserve.gov/SECRS/2011/April/20110401/R-1405/R-1405_033011_69273_589557907011_1.pdf) (citing Petition of the United States in *Board of Governors of the Federal Reserve System v Investment Company Institute* (in U.S. Supreme Court Docket No. 79-927, October Term, 1979), 450 U.S. 46 (1981)).

III. The Supplemental Notice of Proposed Rulemaking.

Now, in response to these and other concerns raised by commenters, the Board has issued a supplemental NPR. In this NPR, the Board appears to suggest that Section 4(k) actually permits financial holding companies to engage in certain activities, such as operating as or controlling mutual funds, and that the Board's prior interpretations of the law merely imposed conditions that restrict them from doing so. The Board posits that this interpretation is necessary in order to give meaning to the term "financial in nature" in Section 102(a)(6) of the Dodd-Frank Act.[19]

But the text of the enacted statute already specifies that the term "financial in nature" is to be defined by reference to Section 4(k) of the BHC Act. To fulfill Congressional intent, the Board must continue to interpret Section 4(k) as it has in the past, for

> Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change ... . So too, where, as here, Congress adopts a new law incorporating sections of a prior law, Congress normally can be presumed to have had knowledge of the interpretation given to the incorporated law, at least insofar as it affects the new statute.[20]

Thus, Congress was aware that the Board's interpretations of the term "financial in nature" in Section 4(k) have had limits, and it chose to confine the Council's authority to comport with those limits. Thus, it constrained the Council's otherwise vast powers to cover only the types of activities that have been deemed appropriate for holding companies that have depository institutions as affiliates and subsidiaries. Focusing the Council on firms that have access to the federal financial safety net is certainly understandable. Large, complex, leveraged banking entities have historically been the most likely sources of financial turmoil, and the greatest recipients of taxpayer dollars.[21]

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[19] 77 Fed. Reg. 21496.

[20] *Lorillard, Div. of Loew's Theatres, Inc. v. Pons*, 434 U.S. 575, 580-581 (U.S. 1978) (citing *Albemarle Paper Co. v. Moody*, 422 U.S. 405, 414 n. 8 (1975); *NLRB v. Gullett Gin Co.*, 340 U.S. 361, 366 (1951); *National Lead Co. v. United States*, 252 U.S. 140, 147 (1920); 2A C. Sands, Sutherland on Statutory Construction § 49.09 (4th ed. 1973).

[21] In fact, the phrase "too big to fail" was first coined in relationship to the crisis involving Continental Illinois National Bank in 1984. FDIC, *History of the Eighties — Lessons for the Future*, at 236 (available at http://www.fdic.gov/bank/historical/history/235_258.pdf).

Certainly, the Congress could have created a new definition of the term "financial in nature," adopted a definition by cross-reference to one or more other statutes, or even specifically directed the Board to provide new interpretations, but it chose not to do so.

Nor is there evidence to indicate that Congress wished for the Board to re-interpret the term. The NPR casts remarks by two Senators on July 15, 2010 as an indication that Congress contemplated mutual funds as potential designees.[22] However, a more fulsome reading of Senator Kerry's comments reveals a different understanding:

> There are large companies providing financial services that are in fact traditionally low-risk businesses, such as mutual funds and mutual fund advisers. We do not envision nonbank financial companies that pose little risk to the stability of the financial system to be supervised by the Federal Reserve.[23]

The Senator's statement thus only indicates his belief that mutual funds present little risk to the financial system and should not be designated for prudential supervision by the Board, a view that is entirely consistent with confining the power of the Council to companies that are engaged in activities authorized for financial holding companies under Section 4(k) of the BHC Act. Similarly, Senator Cardin's comment that the designation of a mutual fund as systemically significant would be an "unlikely event"[24] does not evince any sort of broad-based Congressional desire for the Board to provide new interpretations of Section 4(k).[25]

The supplemental NPR also implicates concerns as to whether the Board, consistent with legislative intent, may alter the definition of such a fundamental term after passage of the Act. Section 102(a)(6) of the Act defines the Council's authority to encompass only activities that are financial in nature "as defined" in Section 4(k) of the BHC Act. It does not include activities that may be defined as financial under Section 4(k) at some time in the future. Congress could certainly have worded the statute in such an open-ended fashion, but it did not do so. Thus, the Board's proposals to redefine the

[22] 77 Fed. Reg. 21495, n. 10.

[23] At 156 Cong. Rec. S5902-5903 (Jul. 15, 2010).

[24] At 156 Cong. Rec. S5873 (Jul. 15, 2010).

[25] In this regard, we note that changes to existing interpretations of law are not warranted unless Congress has clearly expressed an intent to the contrary. *See Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 227 (1957) (holding with respect to 1948 modification of the Judicial Code).

term "financial in nature," and to adopt rules providing that other activities may be deemed "financial" in the future[26] are not authorized by the Act.

While Section 4(k) of the BHC Act does permit the Board, in consultation with the Treasury, to deem a new activity to be "financial in nature," this is only in the context of granting permission to financial holding companies to engage in new lines of business. Section 102 of the Dodd-Frank Act, on the other hand, serves to circumscribe the authority of the Council, so that its significant powers are not extended into areas that Congress did not envision. The Board's open ended powers with respect to financial holding companies must not be read to govern the range of firms that are subject to the Council's authority. Otherwise, the Board could expand and contract the authority of the Council by issuing new interpretations of Section 4(k) as it saw fit – a case of the tail wagging the dog.

IV. Implications of the Proposed Rules.

Allowing mutual funds, including Money Funds, to be treated as "non-bank financial companies" and subjecting them to the types of prudential standards called for by the Act and envisioned by the Board would have significant negative consequences. Section 165 of the Act requires the Board to adopt prudential standards for designated companies, including (i) risk-based capital requirements (ii) leverage limits; (iii) liquidity requirements; (iv) risk management requirements; (v) resolution plan and credit exposure report requirements; and (vi) concentration limits. To that end, the Board has proposed to adopt rules that would apply bank-type regulations to any company that is designated for supervision by the Council, whether or not the company is a bank, and regardless of its business, structure, regulatory oversight, or the types of services that it offers.[27]

If applied to a Money Fund, such standards would weaken a crucial source of short-term funding for businesses and governmental authorities, disrupt the operations of capital markets, and increase systemic risk, all in contravention of Congressional intent. Money Funds, which are financed entirely by common equity capital, have no leverage, have a high degree of liquidity, and are under comprehensive regulatory scrutiny, are already much less vulnerable to financial distress than other institutions. Placing duplicative burdens on Money Funds would only increase costs, and in an industry that

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[26] Proposed Rule 225.301(d)(1)(ii), (iii).

[27] *Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies,* 77 Fed. Reg. 594 (Jan. 5, 2012). The Board's description of these proposed standards acknowledges that "this proposal was largely developed with large, complex bank holding companies in mind." 77 Fed. Reg. 597.

already operates on thin margins, could well be the factor that would cause a fund sponsor to exit the business.

Money Funds provide essential short-term funding for corporations and municipalities. They account for almost 40% of outstanding commercial paper, approximately two-thirds of short-term state and local government debt, and a substantial amount of outstanding short-term Treasury and federal agency securities.[28] If a Money Fund or group of Money Funds were subjected to unduly restrictive regulations, a large portion of the $2.6 trillion currently invested in Money Funds would be moved elsewhere. While it is impossible to know in advance exactly where and in what amounts all of those liquidity balances ultimately will flow, based on the available substitutes -- bank deposits, repurchase agreements, direct investments in money market instruments through separately managed accounts, hedge funds in the form of off shore and unregistered private investment funds that operate as alternatives to Money Funds, and bank short-term investment funds – the movement of those liquidity balances away from Money Funds will result in less efficiency in financial intermediation, less transparency, and greater systemic risk, than leaving those balances in Money Funds.

The most likely destination for a large portion of these assets would be deposit accounts at banks. But many banks are not equipped to provide short-term funding through the purchase of commercial paper and other short-term debt instruments, and those that are capable of doing so are the large, highly complex institutions that proved so vulnerable in the sub-prime crisis.[29] It would be ill-advised to concentrate more of the commercial paper market in such entities. Banks are also unable to pass through tax-exempt income to depositors and therefore cannot replace tax-exempt Money Funds, which would deprive state and local governments of an important source of financing.[30] Moreover, if funds withdrawn from Money Funds were reinvested with banks, this would

[28] *See* REPORT OF THE PRESIDENT'S WORKING GROUP ON FINANCIAL MARKETS, MONEY MARKET FUND REFORM OPTIONS 7, *available at* http://treas.gov/press/releases/docs/10.21%20PWG%20Report%20Final.pdf.

[29] *See* BlackRock, Inc., *Viewpoint: Money Market Mutual Funds*, July 13, 2010 (stating BlackRock's belief that "banks are not equipped to provide short-term funding to the economy in the way that money market funds are through the purchase of commercial paper and other short-term debt instruments. This could result in a meaningful disruption to corporations, municipalities, our entire financial system and our economy.") (*available at* https://www2.blackrock.com/webcore/litService/search/getDocument.seam?venue=PUB_INS&source=CONTENT&ServiceName=PublicServiceView&ContentID=1111117211).

[30] *See* ICI Money Market Working Group Report, at 111, *available at* http://www.ici.org/pdf/ppr_09_mmwg.pdf.

result in tighter short-term credit for U.S. companies unless banks raised significant amounts of capital to support their expanded balance sheets.

Indeed, adding a large portion of current Money Fund assets to bank balance sheets would require a significant amount of new equity capital for banks to offset the added leverage of the new deposits, just as banks are scrambling to increase capital for the balance sheet sizes they currently carry. It would also greatly increase the amount of FDIC-insured deposits. One of the fundamental purposes of the DFA was to scale back the size of the federal safety net and the amount that taxpayers are on the hook for in the future. Forcing investors out of Money Funds and into bank deposits will have the perverse effect of increasing the size of the federal safety net.

The outflow of even a modest portion of the aggregate $2.6 trillion in Money Fund investments into bank deposits would cause further growth of the largest SIFI banks. The ten largest U.S. banks absorbed over 75% of recent deposit growth caused by the availability of unlimited deposit insurance for demand deposit accounts through December 31, 2012.[31] Institutional investors hold approximately two-thirds of MMF investments.[32] If two-thirds of MMF balances move into the banking system and 75% of those balances flows into the ten largest banks, the size of the ten largest banks would grow by $1.3 trillion. The assets of the ten largest banks would expand from 75% to 84% of U.S. GDP.[33] The concentration of the banking industry would increase, as would the size and systemic importance of the largest banks. Both outcomes are in direct contradiction to the purposes of Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations.

In addition, each trillion dollars of balances shifted from Money Funds to bank deposits would result in the FDIC's Deposit Insurance Fund falling an additional $20 billion below its 2% target ratio of assets to covered deposits. Even without this increase, the FDIC projects that it will not reach its target ratio until at least 2020.[34] Each trillion dollars of balances shifted from MMFs to bank deposits would also require an additional

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[31] *Insured Institutions Earned $35.3 Billion in Third Quarter of 2011*, FDIC Press Release (Nov. 22, 2011).

[32] Money Market Mutual Fund Assets, Investment Company Institute (Apr. 19, 2012), *available at* http://www.ici.org/research/stats/mmf.

[33] Richard W. Fisher, *Taming the Too-Big-to-Fails: Will Dodd–Frank Be the Ticket or Is Lap-Band Surgery Required?* Remarks before Columbia University's Politics and Business Club, New York City (Nov. 15, 2011), *available at* http://dallasfed.org/news/speeches/fisher/2011/fs111115.cfm.

[34] *Adoption of FDIC Restoration Plan*, 75 Fed. Reg. 66293 (Oct 27, 2010).

$60-$80 billion in new capital to be raised by the banking industry to support leverage capital requirements. Shifting all $2.6 trillion in MMFs balances to bank deposits would require an additional $182 billion in new equity capital, assuming a 7% leverage ratio.

Moreover, banks are far less efficient than are Money Funds in providing funding to corporate and government borrowers in the money markets. Banks have overhead costs – principally occupancy and staff expense – that are higher per dollar of assets than the operations costs of Money Funds. A comparison of expense data contained in aggregate call report data on banks[35] with expense ratios of Money Funds[36] shows that Money Funds are far more efficient than banks in recycling investor cash into financing of businesses and governments, and the size of the efficiency differential in the U.S. is between 200 and 300 basis points per year per dollar of assets. As of year-end 2010, the average expense ratio for Money Funds was 32 basis points.[37] By comparison, the non-interest overhead expenses (including costs of personnel, office space, deposit insurance premiums, marketing, etc.) represented over 3% of average assets for banks.[38] This suggests that it costs 2.5% more per annum for a bank to intermediate each dollar's worth of balances from savers to borrowers as compared to a Money Fund. This large expense differential is also reflected in the interest rates on commercial paper, which are far lower than rates on bank loans. Federal Reserve Board statistics indicate that bank loans are consistently more expensive – often 200 basis points or more – than rates on commercial paper.[39] The high bank cost structure affects not only the banks themselves, but also means borrowers must pay more for bank financing, in contrast with the lower financing

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[35] Federal Financial Institutions Examination Council, *Uniform Bank Performance Report, Peer Group Average Report for All Banks in Nation* as of September 30, 2011 *available at* https://cdr.ffiec.gov/public/ManageFacsimiles.aspx.

[36] *See 2011 Investment Company Fact Book* at 63.

[37] *2011 Investment Company Fact Book*, at 68 *available at* http://www.ici.org/pdf/2011_factbook.pdf. This is down from 2009's 54 points, because many funds waived expenses to ensure positive returns for investors while interest rates are being kept low. *2010 Investment Company Fact Book*, at 68 *available at* http://www.icifactbook.org/pdf/2010_factbook.pdf; *ICI Research Perspective: Trends in the Fees and Expenses of Mutual Funds, 2010*, Investment Company Institute, at 1 (Mar. 2011).

[38] Federal Financial Institutions Examination Council, *Uniform Bank Performance Report, Peer Group Average Report for All Banks in Nation* as of September 30, 2011 (available at https://cdr.ffiec.gov/public/ManageFacsimiles.aspx).

[39] Selected Interest Rates (Daily) for September 14, 2011 (showing rates for commercial paper and bank prime loans); Interest Rates for 90-Day AA Nonfinancial Commercial Paper 1997 - 2010 and Average Majority Prime Rate Charged by Banks on Short Term Loans to Business, 1956 - 2010 (attached as Appendix A). These reports are available on the website of the Federal Reserve Board, which publishes this data at http://www.federalreserve.gov/econresdata/releases/statisticsdata.htm.

costs of businesses and governments whose short-term paper is held by Money Funds. This large cost differential means there is much less efficiency, lower returns to savers, and higher costs to borrowers when balances are intermediated through the banking system. On approximately $2.6 trillion in aggregate Money Fund balances, that would amount to between $50 billion and $80 billion in annual costs to investors and borrowers that would be incurred by moving these balances to intermediation through banks.

Some balances from Money Funds might be invested directly into individual money market instruments.[40] For retail investors and smaller businesses and institutions that do not have a large, sophisticated treasury desk, this is not a realistic alternative. The minimum principal amount of individual money market instruments and prohibition against pooling of direct investment accounts, diversification needs, and the large fixed costs of conducting this type of operation in-house or the large minimum account size for retention of an external investment manager at a reasonable fees, limit this option only to investors with very large cash balances. For larger corporations and institutional investors with a large treasury function, this may simply transfer the risk of institutional runs on Money Funds to a risk of runs by investors on particular issuers of commercial paper. This would not protect the commercial paper market and the financing needs of issuers. Instead, it might amplify the problem and trigger more insolvencies of issuers of commercial paper by removing Money Funds as a buffer against the nervous impulses of institutional investors that hold paper from underlying issuers.

Liquidity balances can also be invested in private and offshore investment funds. Qualified individual investors and corporate treasury departments could simply divert investments out of Money Funds into specialized hedge funds that operate as cash

[40] Some balances from Money Funds might also be invested in floating NAV funds. But those funds, in the form of ultra-short bond funds, have been around for many years and have never been particularly popular with either retail or institutional investors. Moreover, these types of ultra-short bond funds experienced investor "runs" during the Financial Crisis, are not subject to the liquidity or other requirements of SEC Rule 2a-7 and should not be viewed as subject to lower risk than Money Funds. J. Fisch, & E. Roiter,'*A Floating NAV for Money Market Funds: Fix or Fantasy?* (2011), Scholarship at Penn Law: Paper 390 (*available at* http://lsr.nellco.org/upenn_wps/390), at 32 ("While their share of assets pales in comparison to MMFs, ultra-short bond funds faced waves of redemptions comparable in respective magnitude to what MMFs faced. Indeed, contractions of ultra-short bond funds likely exacerbated the freeze in the short term credit markets. By the end of 2008, assets in these funds were 60% below their peak level in 2007." (*citing* In re David W. Baldt, SEC Admin Proc. File No. 3-13887, at 5-6, Apr. 21, 2011, available atwww.sec.gov/litigation/aljdec/2011/id418rgm.pdf (detailing large redemptions from Schroder short term bond funds); Statement of the Investment Company Institute, SEC Open Meeting of the Investor Advisory Committee, May 10, 2010, at 4, available at www.ici.org/pdf/24289.pdf; HSBC Global Asset Management, Working Paper: Run Risk at Money Funds (Nov. 3, 2011).

management funds but that are not be subject to Rule 2a-7 or the Investment Company Act. Asset managers that already offer Money Funds could, with relative ease, establish onshore or offshore private investment funds in order to carry out investment strategies similar to those currently used by the Money Funds they sponsor.

Another potential destination for short-term liquidity balances are repurchase agreements ("repos"). Repos are essentially a form of overnight or short-term financing secured by marketable securities. In form, repos are a sale of the marketable security and a commitment to repurchase it at a set date and set price. The Federal Reserve and other financial regulators have expressed concerns about liquidity and risk in the repo markets, and the degree to which the repo market can transmit systemic risk through the financial system.[41]

Some liquidity balances may also move to bank short-term investment funds or "STIFs." STIFs are a type of bank common trust fund or collective investment fund that are sponsored and maintained by bank trust departments for fiduciary and pension assets.[42] Like a mutual fund, an interest in a STIF is an equity security that is an interest in a pool or fund that is effectively a pro-rata claim to a portion of the net value of the portfolio assets held by the STIF. Although they are permitted to use amortized cost to calculate portfolio values, STIFs are subject to less stringent investment restrictions, investment quality requirements and maturity limits than are Money Funds.[43] STIFs are exempt from SEC registration or regulation under the Investment Company Act.[44] STIFs are regulated and supervised by banking regulators, are not regulated or supervised by the SEC and are not subject to SEC Rule 2a-7 like Money Funds.[45]

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[41] *See e.g.* Federal Reserve Board Governor Daniel Tarullo, *Regulatory Reform since the Financial Crisis,* Remarks before the Council on Foreign Relations, C. Peter McColough Series on International Economics, New York City (May. 2, 2012) (*available at* http://www.federalreserve.gov/newsevents/speech/tarullo20120502a.htm); Adam Copeland, Antoine Martin, and Michael Walker, *Repo Runs: Evidence from the Tri-Party Repo Market,* Federal Reserve Bank of New York Staff Reports, no. 506 (Jul. 2011; revised Mar. 2012 (*available at* http://www.newyorkfed.org/research/staff_reports/sr506.pdf).

[42] 12 C.F.R. § 9.18(b)(4)(ii)(B).

[43] *Compare* 12 C.F.R. § 9.18(b)(4)(ii)(B) (permitting up to 90 day weighted average maturity, not imposing minimum liquidity requirements and not specifying diversification or credit quality requirements for individual securities) with 17 C.F.R. § 270.2a-7 (maximum weighted average maturity of 60 days, and imposing very strict and specific liquidity, credit quality and diversification requirements).

[44] Investment Company Act § 3(c)(3), 3(c)(11).

[45] *See* 12 C.F.R. § 9.18; Investment Company Act §§ 3(a)(3), 3(c)(11).

Because they are subject to less stringent bank regulatory standards than SEC-regulated Money Funds, during the Financial Crisis, a large bank-operated, Federal Reserve-supervised STIF "broke the buck" and incurred substantial losses due to following portfolio practices involving far riskier and less liquid investments than are permitted for SEC-regulated Money Funds.[46] The Comptroller of the Currency recently has proposed to amend the rules governing bank collective STIFs to conform somewhat more closely to SEC requirements applicable to Money Funds in order to reduce the risk of a recurrence of the problem at bank-sponsored STIFs.[47]

Notably, the concern on part of regulators that, in a crisis, Money Funds withdraw funding from the underlying money markets by choosing not to roll over investments in commercial paper is equally applicable to each of these other alternatives, whose managers — bound by fiduciary duties to their funds and investors — would begin to liquidate and stop rolling over investments in commercial paper and other money market instruments to meet investor redemptions and to reduce the risk exposure of the fund and curtail possible portfolio losses. Thus, by taking actions that are ostensibly intended to reduce the likelihood of runs on Money Funds, the Federal Reserve and the Council may instead trigger the large-scale diversion of funds into and proliferation of investment vehicles that are less transparent and even more susceptible to runs, thereby increasing systemic risk as well as the likelihood of dislocations in short-term funding markets.

If liquidity balances currently invested in Money Funds were moved to these other forms of financial intermediaries, the cost of short-term credit is likely to rise and would be less efficient. Money Funds are a significant source of short-term financing of state and local governments. Commenters on the Report of the President's Working Group on Money Market Fund Reform Options, such as the National League of Cities and others, noted that regulations that inhibit investment in money funds "would dampen investor demand for the securities we offer and deprive state and local governments of much-needed capital."[48] Letters from business associations also described how important

[46] *In the Matter of State Street Bank and Trust Company*, SEC Admin. Proceeding 3-13776, SEC Rel. 33-9107 (Feb. 4, 2010); *In the Matter of James P. Flannery et al.*, SEC Admin Proceeding No. 3-14081, SEC Rel. 33-9147 (Sept. 30, 2010).

[47] *Short-Term Investment Funds*, 77 Fed. Reg. 21057 (Apr. 9, 2012) (notice of proposed rulemaking).

[48] Letter filed by the following associations of state and local entities: the American Public Power Association; the Council of Development Finance Agencies; the Council of Infrastructure Financing Authorities; the Government Finance Officers Association; the International City/County Managers Association; the International Municipal Lawyers Association; the National Association of Counties; the National League of Cities; the National Association of Local Housing Financing Agencies; the National

Footnote continued on next page

Money Funds are as a source of short-term financing to small and large businesses for such things as inventory, receivables, and payroll. These letters also express similar concerns on restrictions that may result in investor money flowing out of money funds.[49] For example, the New Jersey Chamber of Commerce has noted that "[r]egulations that shrink the pool of money market mutual fund capital available to businesses will negatively impact their ability to meet their cash requirements, causing large disruptions in the nation's economy."[50]

In addition, the Board's proposed rules cannot fail to have a substantial impact on companies that face designation, their customers and the financial system as a whole. Nonetheless, the Board's consideration of the burdens associated with the proposal are only cursory and do not include a cost-benefit analysis.

Under the Regulatory Flexibility Act ("RFA"), the Board must conduct a cost-benefit analysis of the effect of its proposal on small entities, unless it would not have a significant economic impact on a substantial number of them.[51] Similarly, the Board must perform a cost-benefit analysis under the Small Business Regulatory Enforcement Fairness Act of 1996, unless it demonstrates that the proposed rules will not result in (i) an annual effect on the U.S. economy of $100 million or more, (ii) a major increase in the costs or prices for consumers or individual industries, or (iii) significant adverse effects on competition, investment, or innovation.[52] The Board is also required to perform a cost

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Association of State Auditors, Comptrollers and Treasurers; the National Association of State Treasurers and the U.S. Conference of Mayors (available at http://www.sec.gov/comments/4-619/4619-130.pdf).

[49] Letters from the Financial Services Roundtable; Business Council of New York State; Dallas Regional Chamber; Associated Industries of Florida; New Jersey Chamber of Commerce. *See also* letter from the following businesses and associations: Agilent Technologies, Inc.; Air Products & Chemicals, Inc.; Association for Financial Professionals; The Boeing Company; Cadence Design Systems; CVS Caremark Corporation; Devon Energy; Dominion Resources, Inc.; Eastman Chemical Company; Eli Lilly & Company; Financial Executives International's Committee on Corporate Treasury; FMC Corporation; Institutional Cash Distributors; Kentucky Chamber of Commerce; Kraft Foods Global, Inc.; National Association of Corporate Treasurers; New Hampshire Business and Industry Association; Nissan North America; Pacific Gas and Electric Company; Safeway Inc.; Weatherford International; U.S. Chamber of Commerce (available at http://www.sec.gov/comments/4-619/4-619.shtml).

[50] Letter from the New Jersey Chamber of Commerce (available at http://www.sec.gov/comments/4-619/4619-58.pdf).

[51] *See* 5 U.S.C. § 601 *et seq.* It is not enough to for an agency to request comment on economic effects. Rather, an agency must affirmatively reach a conclusion on the economic impact and provide sufficient evidence to support it. *Business Roundtable v. SEC*, 647 F.3d 1144 at 1148 (D.C. Cir. 2011).

[52] 5 U.S.C. § 801, 804.

benefit analysis under Executive Order 13579, which directs that agency decisions should be made only after consideration of their costs and benefits (both quantitative and qualitative).[53]

The Board's NPR states that the proposal would not have a significant impact on a substantial number of small entities because it is unlikely that firms with assets of up to $175 million would be designated by the Council. However, the proposal would have a significant impact on numerous smaller entities that are customers of companies that may face designation. Under the RFA, "smaller entities" include small governmental jurisdictions and small non-profit enterprises, as well as small businesses.[54] If a Money Fund were to be designated for Board supervision, small businesses, municipal entities and small non-profit organizations that use that Money Fund would face higher costs, whether due to the fact that the fund would pass on its compliance costs, or because they would incur the expenses (such as diligence, reprogramming of systems, etc.) of shifting their business elsewhere. Moreover, any Money Funds that are subject to designation are likely to be less active in the short term debt markets, leading to less liquid and more expensive markets for small municipal and governmental entities that issue commercial paper. In any event, these same concerns would apply to large entities, including states and large cities. As a matter of sound policy, the Board should consider how its proposed rules would impact these entities if Money Funds are determined to be within the Council's designation authority.[55]

The RFA applies in cases where a regulation does not "directly" apply to an entity, but only "directly affects" it.[56] Here, small entities will be "directly affected and

[53] Executive Order 13579 (Jul. 11, 2011); 76 Fed. Reg. 41587 (Jul. 14, 2011).

[54] 5 U.S.C. § 601(6). In brief, the RFA defines "small governmental jurisdictions" as the governments of cities, counties, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand. 5 U.S.C. § 601(5). Small non-profit organizations that are independently owned and not "dominant" in their fields are also treated as small entities under the RFA. 5 U.S.C § 601(4), (6). Small governmental jurisdictions and small non-profit organizations are common investors in Money Funds.

[55] *See* Letter from James Lewis, President, National Association of State Treasurers to Elizabeth Murphy, SEC (Dec. 21, 2010) (expressing concerns that proposed changes to the regulation of Money Funds could "reduce or eliminate a market for short-term public and non-profit debt," "lead to a contraction in short-term public financing" and "increase short-term debt costs for states due to the reduction of placement options." (*available at* http://www.sec.gov/comments/4-619/4619-6.pdf).

[56] See *Aeronautical Repair Station Ass'n, Inc. v. FAA*, 494 F.3d 161, 177 (D.C. Cir. 2007). There, the FAA promulgated a regulation mandating that air carriers require drug and alcohol testing of employees. The court rejected arguments that an RFA analysis was unnecessary because contractors of air carriers were not "directly regulated" and were not the "targets" of the regulation. Rather, the court held that contractors

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therefore regulated," even though the proposed rules would not have direct application to them. Many small entities will experience diminished access to credit and investment services provided by companies that become subject to these proposed rules. Thus, the RFA requires the Board to perform a diligent cost-benefit analysis of the proposed rules.[57]

* * * * *

As we noted in our comments on the original NPR, prudential regulation under Title I of the Dodd-Frank Act is not appropriate for Money Funds. The text of the Dodd-Frank Act evinces Congressional intent that no mutual funds, including Money Funds, can be defined as "nonbank financial companies" that would be subject to designation. In this regard, as we also have discussed in our prior comments, as required by Section 170 of the Dodd-Frank Act, the Board should adopt exemptive rules that clearly reflect that Money Funds will not be subject to designation.

Sincerely,

John D. Hawke, Jr.

Attachment

cc: Eugene F. Maloney
Executive Vice President
Federated Investors, Inc.

Footnote continued from previous page
were "subject to the proposed regulation" for purposes of the RFA even though the regulation was "immediately addressed" to the air carriers, because the regulations applied to employees of the contractors, just as it applied to employees of the air carriers. The contractors were "directly affected and therefore regulated" within the meaning of the RFA.

[57] In *Business Roundtable v. SEC* (647 F.3d 1144 (D.C. Cir. 2011)), the Circuit Court of Appeals for the District of Columbia found that when an agency must conduct a cost-benefit analysis, it may not "fail[] adequately to quantify the certain costs or to explain why those costs [cannot] be quantified," or "inconsistently and opportunistically frame[] the costs and benefits" of a rule, "neglect[] to support its predictive judgments," or "fail[] to respond to substantial problems raised by commenters." Agencies may not "duck[] serious evaluation of the costs that could be imposed." *Business Roundtable*, 647 F.3d at 1148-52. Promulgation of a rule without meeting these standards may be deemed arbitrary and capricious, and the rule may be set aside under the Administrative Procedures Act. 5 U.S.C. § 551, 706(2)(A).

APPENDIX A

Selected Interest Rates (Daily) - H.15

Current Release Release Dates **Daily Update** Historical Data About Announcements

Daily Update

Release Date: December 14, 2011

The weekly release is posted on Monday. Daily updates of the weekly release are posted Tuesday through Friday on this site. If Monday is a holiday, the weekly release will be posted on Tuesday after the holiday and the daily update will not be posted on that Tuesday.

December 14, 2011
Selected Interest Rates

Yields in percent per annum

Instruments	2011 Dec 12	2011 Dec 13
Federal funds (effective) 1 2 3	0.07	0.07
Commercial Paper 3 4 5 6		
Nonfinancial		
1-month	0.14	0.15
2-month	0.04	0.13
3-month	0.11	0.15
Financial		
1-month	0.04	0.04
2-month	0.05	0.07
3-month	0.19	0.19
CDs (secondary market) 3 7		
1-month	0.25	0.24
3-month	0.50	0.50
6-month	0.68	0.68
Eurodollar deposits (London) 3 8		
1-month	0.35	0.35
3-month	0.49	0.49
6-month	0.71	0.71
Bank prime loan 2 3 9	3.25	3.25

Discount window primary credit [2] [10]	0.75	0.75
U.S. government securities		
Treasury bills (secondary market) [3] [4]		
4-week	0.00	0.00
3-month	0.01	0.01
6-month	0.05	0.06
1-year	0.09	0.11
Treasury constant maturities		
Nominal [11]		
1-month	0.00	0.00
3-month	0.01	0.01
6-month	0.05	0.06
1-year	0.10	0.11
2-year	0.24	0.24
3-year	0.36	0.35
5-year	0.87	0.85
7-year	1.45	1.40
10-year	2.03	1.96
20-year	2.75	2.66
30-year	3.06	2.98
Inflation indexed [12]		
5-year	-0.77	-0.80
7-year	-0.43	-0.46
10-year	-0.01	-0.05
20-year	0.63	0.53
30-year	0.83	0.74
Inflation-indexed long-term average [13]	0.56	0.48
Interest rate swaps [14]		
1-year	0.64	0.66
2-year	0.66	0.69
3-year	0.77	0.80
4-year	0.98	1.02
5-year	1.24	1.29
7-year	1.71	1.75
10-year	2.16	2.19

30-year	2.77	2.78
Corporate bonds		
Moody's seasoned		
Aaa [15]	4.02	3.98
Baa	5.30	5.25
State & local bonds [16]		
Conventional mortgages [17]		

Footnotes

1. The daily effective federal funds rate is a weighted average of rates on brokered trades.

2. Weekly figures are averages of 7 calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.

3. Annualized using a 360-day year or bank interest.

4. On a discount basis.

5. Interest rates interpolated from data on certain commercial paper trades settled by The Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). The 1-, 2-, and 3-month rates are equivalent to the 30-, 60-, and 90-day dates reported on the Board's Commercial Paper Web page (www.federalreserve.gov/releases/cp/).

6. Financial paper that is insured by the FDIC's Temporary Liquidity Guarantee Program is not excluded from relevant indexes, nor is any financial or nonfinancial commercial paper that may be directly or indirectly affected by one or more of the Federal Reserve's liquidity facilities. Thus the rates published after September 19, 2008, likely reflect the direct or indirect effects of the new temporary programs and, accordingly, likely are not comparable for some purposes to rates published prior to that period.

7. An average of dealer bid rates on nationally traded certificates of deposit.

8. Source: Bloomberg and CTRB ICAP Fixed Income & Money Market Products.

9. Rate posted by a majority of top 25 (by assets in domestic offices) insured U.S.-chartered commercial banks. Prime is one of several base rates used by banks to price short-term business loans.

10. The rate charged for discounts made and advances extended under the Federal Reserve's primary credit discount window program, which became effective January 9, 2003. This rate replaces that for adjustment credit, which was discontinued after January 8, 2003. For further information, see www.federalreserve.gov/boarddocs/press/bcreg/2002/200210312/default.htm. The rate reported is that for the Federal Reserve Bank of New York. Historical series for the rate on adjustment credit as well as the rate on primary credit are available at www.federalreserve.gov/releases/h15/data.htm.

11. Yields on actively traded non-inflation-indexed issues adjusted to constant maturities. The 30-year Treasury constant maturity series was discontinued on February 18, 2002, and reintroduced on February 9, 2006. From February 18, 2002, to February 9, 2006,

the U.S. Treasury published a factor for adjusting the daily nominal 20-year constant maturity in order to estimate a 30-year nominal rate. The historical adjustment factor can be found at www.treasury.gov/resource-center/data-chart-center/interest-rates/. Source: U.S. Treasury.

12. Yields on Treasury inflation protected securities (TIPS) adjusted to constant maturities. Source: U.S. Treasury. Additional information on both nominal and inflation-indexed yields may be found at www.treasury.gov/resource-center/data-chart-center/interest-rates/.

13. Based on the unweighted average bid yields for all TIPS with remaining terms to maturity of more than 10 years.

14. International Swaps and Derivatives Association (ISDA®) mid-market par swap rates. Rates are for a Fixed Rate Payer in return for receiving three month LIBOR, and are based on rates collected at 11:00 a.m. Eastern time by Garban Intercapital plc and published on Reuters Page ISDAFIX®1. ISDAFIX is a registered service mark of ISDA. Source: Reuters Limited.

15. Moody's Aaa rates through December 6, 2001, are averages of Aaa utility and Aaa industrial bond rates. As of December 7, 2001, these rates are averages of Aaa industrial bonds only.

16. Bond Buyer Index, general obligation, 20 years to maturity, mixed quality; Thursday quotations.

17. Contract interest rates on commitments for fixed-rate first mortgages. Source: Primary Mortgage Market Survey® data provided by Freddie Mac.

Note: Weekly and monthly figures on this release, as well as annual figures available on the Board's historical H.15 web site (see below), are averages of business days unless otherwise noted.

Current and historical H.15 data are available on the Federal Reserve Board's web site (www.federalreserve.gov/). For information about individual copies or subscriptions, contact Publications Services at the Federal Reserve Board (phone 202-452-3244, fax 202-728-5886).

Description of the Treasury Nominal and Inflation-Indexed Constant Maturity Series

Yields on Treasury nominal securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve for non-inflation-indexed Treasury securities. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 1, 3, and 6 months and 1, 2, 3, 5, 7, 10, 20, and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity. Similarly, yields on inflation-indexed securities at "constant maturity" are interpolated from the daily yield curve for Treasury inflation protected securities in the over-the-counter market. The inflation-indexed constant maturity yields are read from this yield curve at fixed maturities, currently 5, 7, 10, and 20 years.

Series Desc 90-Day AA Nonfinancial Commercial Paper Interest Rate
Unit: Percent
Multiplier: 1
Currency: NA
Unique Ide H15/H15/RIFSPPNAAD90_N.A
Time Perio RIFSPPNAAD90_N.A

1997	5.49
1998	5.34
1999	5.18
2000	6.31
2001	3.65
2002	1.69
2003	1.11
2004	1.41
2005	3.42
2006	5.1
2007	4.92
2008	2.13
2009	0.26
2010	0.24

Series Desc	Average majority prime rate charged by banks on short-term loans to business, quoted on an investment basis
Unit:	Percent:_Per_Year
Multiplier:	1
Currency:	NA
Unique Ide	H15/H15/RIFSPBLP_N.A
Time Perioi	RIFSPBLP_N.A
1956	3.77
1957	4.2
1958	3.83
1959	4.48
1960	4.82
1961	4.5
1962	4.5
1963	4.5
1964	4.5
1965	4.54
1966	5.63
1967	5.63
1968	6.31
1969	7.96
1970	7.91
1971	5.73
1972	5.25
1973	8.03
1974	10.81
1975	7.86
1976	6.84
1977	6.83
1978	9.06
1979	12.67
1980	15.26
1981	18.87
1982	14.85
1983	10.79

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6.19
7.96
8.05
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3.25