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# Money Market Funds

United States: Securities and Exchange Commission (SEC)

Fast Answers

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A money market fund is a type of mutual fund that is required by law to invest in low-risk securities. These funds have relatively low risks compared to other mutual funds and pay dividends that generally reflect short-term interest rates. Unlike a "money market deposit account" at a bank, money market funds are not federally insured.

Money market funds typically invest in government securities, certificates of deposit, commercial paper of companies, or other highly liquid and low-risk securities. They attempt to keep their net asset value (NAV) at a constant $1.00 per share – only the yield goes up and down. But a money market's per share NAV may fall below $1.00 if the investments perform poorly. While investor losses in money markets have been rare, they are possible.

An investor tendering mutual fund shares, including shares of money market funds, for redemption generally must be paid within seven days of tender. Pursuant to Section 22(e) of the Investment Company Act of 1940, registered open-end companies may not suspend the right of redemption and must pay redemption proceeds within seven days, except in certain emergencies or for such other periods as the Commission may by order permit for the protection of security holders of the company.

Before investing in a money market fund, you should carefully read all of the fund's available information, including its prospectus, or profile if the fund has one, and its most recent shareholder report.

Money market funds are regulated primarily under the Investment Company Act of 1940 and the rules adopted under that Act, particularly Rule 2a-7 under the Act.



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