December 12, 2012

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
Chairman
Financial Stability Oversight Council
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

We, the undersigned organizations representing thousands of American businesses, State and Local governments, and nonprofit organizations that depend on money market mutual funds (MMMFs) as an efficient and critical financial tool, write to you as the Chair of the Financial Stability Oversight Council (FSOC) to urge the FSOC not to proceed with any planned regulatory actions with respect to Rule 2a-7. Many of the changes you outlined in the letter to your fellow Council members in September—such as a floating net asset value (NAV) and "minimum balance at risk" redemption holdbacks—are the same proposals that the SEC rejected. These proposals were rejected because they would fundamentally alter MMMFs and harm the ability of the organizations we represent to finance basic operations. The negative repercussions of such changes would impede our ability to sustain economic growth and create jobs.

Following the 2008 financial crisis, the SEC amended Rule 2a-7 to further reduce the susceptibility of MMMFs to the isolated problems seen during the financial crisis. These changes included requiring MMMFs to hold a higher proportion of their assets in highly liquid, high-quality assets; to diversify even more broadly; and to disclose their holdings monthly. MMMFs are now better able to withstand financial market turbulence and fluctuations in the economy than at any time in their 40-year history.

The regulatory changes being considered will have a significant and adverse impact on the vitality of the organizations that we represent—American businesses, State and local governments, and nonprofits—that rely on MMMFs as a secure, efficient means to provide short-term funding for business expansion, daily operations, and critical infrastructure maintenance and expansion. MMMFs are the largest investors in short-term municipal bonds, holding $288 billion in assets and approximately 57 percent of all outstanding short-term municipal debt. These funds also provide funding to nearly 40 percent of the corporate commercial paper market. Implementing a floating net asset value, redemption restrictions, or other regulatory changes that disrupt the existing structure and characteristics of MMMFs will cause many investors to divest a significant percentage of their holdings in MMMFs, denying low-cost capital to businesses and municipalities and driving assets into less regulated vehicles.

In light of the foregoing concerns, we again urge the FSOC to avoid moving forward with recommendations for any additional regulations related to MMMFs at this time. We need a different approach that begins with the SEC focusing only on necessary reforms that will strengthen rather than destroy a product we rely on. Our economy simply cannot afford for regulators to act in haste and propose measures that will have a very real and negative impact on a critical financing vehicle that is a trusted and essential resource for our members.

Sincerely,

Agricultural Retailers Association
American Association of State Colleges and Universities
Association for Financial Professionals
Education Finance Council
Financial Executives International
Government Finance Officers Association
International City/County Management Association
International Municipal Lawyers Association
Mortgage Bankers Association
National Association of College and University Business Officers
National Association of Corporate Treasurers
National Association of Counties
National Association of Health and Educational Facilities Finance Authorities
National Association of State Auditors, Comptrollers and Treasurers (NASACT)
National League of Cities
Property Casualty Insurers Association of America
Retail Industry Leaders Association (RILA)

U.S. Chamber of Commerce
U.S. Conference of Mayors

cc: The Honorable Ben Bernanke, Federal Reserve Board
The Honorable Martin Gruenberg, Federal Deposit Insurance Corporation
The Honorable Mary Schapiro, Securities and Exchange Commission
The Honorable Gary Gensler, Commodities Futures Trading Commission
The Honorable Debbie Matz, Credit Union National Administration
The Honorable Edward DeMarco, Federal Housing Finance Agency
The Honorable Thomas Curry, Office of the Comptroller of the Currency
The Honorable Roy Woodall, Financial Stability Oversight Council
The Honorable Richard Cordray, Consumer Financial Protection Bureau