



Office of the Mayor

Mayor Sylvester "Sly" James, Jr.

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September 27, 2017

The Honorable Claire McCaskill
503 Hart Senate Office Building
Washington, DC 20510

Re: S.1117

Dear Senator McCaskill:

I am writing to request your support for S. 1117, the Consumer Financial Choice and Capital Markets Protection Act, and to urge the Senate Banking Committee to act on this bipartisan legislation as quickly as possible. This legislation seeks to restore access to an important source of capital and promote public infrastructure for the residents of the State of Missouri.

As you know, state and local governments must continue to have capital markets funding options available that allow them to maximize support for the economic development needs of their citizens while ensuring the most resourceful use of scarce tax dollars. Fortunately, S. 1117 has been introduced to restore money market funds as a viable, efficient and cost-effective source of such financing. These funds have been the largest purchases of short-term debt issued by municipalities, much of it to finance housing, health and education related projects.

That access was significantly curtailed by a Securities and Exchange Commission (SEC) rule that went into effect in October 2016 that prime and tax-exempt money market funds operating on a stable net asset value (NAV) basis from being offered to investors other than "natural persons" (called "institutional" investors). As a result, businesses and other organizations that require stable value investments have shifted their short-term cash management needs out of money market funds and into other types of investments that do not support the capital access needs of communities.

Currently, all issuers of municipal debt are feeling the impact of the shrinkage in tax-exempt money funds as a result of the SEC rule. It has caused nearly \$1.2 trillion to exit prime and tax-exempt money market funds, leaving the private sector and moving into Treasury and Government funds. Consequently, short-term interest rates, including rates on municipal debt, spiked to their highest levels since the financial market crisis. Missouri alone has lost over \$1.6 billion in tax-exempt funding, which has to be replaced at higher borrowing costs.

S. 1117 would restore the stable NAV for all money market fund investors. It does so without changing the Dodd-Frank Act, or impacting other changes to the regulation of money market funds that were adopted by the SEC in 2010 and 2014.

I appreciate your leadership in advancing S. 1117 so that we can benefit from the indispensable capital markets financing options provided by money market funds for economic development in Missouri and throughout the country.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sly James, Jr.', with a stylized flourish at the end.

Sylvester "Sly" James, Jr.
Mayor of Kansas City, Missouri