U.S. BLACK CHAMBERS, INC.

The National Voice of Black Business

**Not affiliated with the National Black Chamber of Commerce*

April 28, 2016

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

Dear Congressmen Hensarling and Waters:

On behalf of the United States Black Chambers, Inc. (USBC) and African-American Chambers of Commerce all over the United States, I am writing to urge your support for legislation that is important to preserving the liquidity and capital investment needs of state and local governments, main street businesses and non-profit organizations.

The legislation in question is guided by two of USBC's five pillars:

- ***Access to Capital*** - *Capital access remains the most important factor limiting the establishment, expansion and growth of Black-owned businesses. The USBC works with financial institutions, particularly Black-owned institutions, to create avenues by which Black businesses can gain greater access to credit, capital and other financial instruments; and*

- ***Contracting*** - *At the USBC, our goal is to level the playing field by helping members gain access to business opportunities in the private and public sectors. We accomplish this by educating members on contract opportunities, helping them increase their capacity to vie for large scale contracts, and offering resources and information that enhance Black owners' ability to compete.*

H.R. 4216, the Consumer Financial Choice and Capital Markets Protection Act of 2015, was introduced by Representative Gwen Moore of Wisconsin and referred to the House Financial Services Committee. It seeks to preserve stable value money market funds as an alternative to bank deposits to meet the cash management needs of both public and private institutions, and to support private and public infrastructure investment and local economic development.

In 2014, the Securities and Exchange Commission (SEC) adopted a regulation that, among other things, requires the shares of institutional prime and tax-exempt money market funds to float in value – a change from the stable $1-per-share value that has been maintained by all money market funds. Ironically, this new floating net asset value (NAV) would not apply to retail funds or to funds that invest solely in U.S. Treasuries and other federal government securities.

As I read this regulation, which will take effect in October of this year, the stated goal is to prevent future runs on money-market funds like those experienced during the economic crisis of 2008. However, there are other parts of the regulation, combined with reforms adopted in 2010, which appear to be more effective at ensuring that such funds are more resilient to future market turmoil. Therefore, the floating NAV requirement appears to offer few additional benefits while imposing significant costs on businesses and taxpayers.

Many minority owned businesses and non-profit organizations invest in money market funds because the funds have been allowed to use amortized cost accounting. That makes sense because these funds invest in short-term, high quality, liquid debt securities that are almost always held to maturity, and their returns reflect market short-term rates. If money market funds are forced to value their assets using less reliable accounting methods, they will no longer be a viable cash management tool for many businesses and other investors, including governments, pension funds and non-profit organizations.

USBC believes the negative economic consequences for both private business investment and public infrastructure financing will be significant. With fewer funds available to purchase the short-term debt of companies and state and local governments, it will result in higher debt issuance costs, less investment and fewer jobs. And this is happening while small and medium-sized businesses across the country – even those with plenty of cash-flow, net worth and collateral – are continuing to face tough credit conditions from commercial banks. Given the economic challenges already faced by so many of our businesses, they should not be asked to shoulder an additional financial disadvantage, particularly when there is no corresponding benefit to the financial system.

H.R. 4216 offers a reasonable compromise. It will restore the fixed $1-per-share value for money-market funds, while maintaining the other regulations the SEC has adopted. I hope you will support this legislation so that our businesses can have investment and financing options beyond those offered by banks.

Sincerely,

Ron Busby, Sr.
President/CEO
U.S. Black Chambers, Inc.

CC: Members of the House Financial Services Committee

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