



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS

August 15, 2016

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

The Honorable Scott Garrett
Chairman
Subcommittee on Capital Markets and GSEs
U.S. House of Representatives
Washington, D.C. 20515

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

The Honorable Carolyn Maloney
Ranking Member
Subcommittee on Capital Markets and GSEs
U.S. House of Representatives
Washington, D.C. 20515

Dear Representatives Hensarling, Waters, Garrett and Maloney:

On behalf of the Association for Financial Professionals (AFP), I am writing to request your support for H.R. 4216, the Consumer Financial Choice and Capital Markets Protection Act, and to urge the Financial Services Committee to act on this bipartisan legislation as quickly as possible. This legislation seeks to preserve business access to liquidity for cash management, and capital access for business and public infrastructure investment.

As the global resource and advocate for the finance profession, AFP serves over 16,000 members who manage and safeguard the financial assets of more than 5,000 U.S. organizations. Many of our members are responsible for issuing short- and long-term debt and for managing the corporate cash, 401k and pension assets of their organizations. In these fiduciary capacities, our members rely on money market funds as both investors and issuers of debt.

Unfortunately, the flexibility, efficiency and lower cost that money market funds provide is being undermined by a Securities and Exchange Commission (SEC) rule that takes effect on October 14, 2016. The rule in question prohibits 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.” As a result, organizations that require stable value investments are shifting 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 businesses and communities.

As the implementation date of the floating NAV rule approaches, we have seen the average 7-day interest rate on debt held by prime money market funds more than double, from about 25 basis points in October to about 57 basis points in June, showing that the cost of capital is



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already increasing for American businesses. At the same time, municipal entities and non-government conduit borrowers, such as hospitals and universities, have seen their borrowing costs increase nearly fivefold, from under 10 basis points to 45-50 basis points.

Our members choose money market funds because they provide principal preservation, liquidity, diversification, built-in credit analysis, and ease of accounting. In addition, these funds are a key source of short-term financing for businesses to purchase seasonal inventory, pay suppliers, and fund payroll and other expenses when cash outflows are greater than inflows. Issuing short-term variable rate debt held by money market funds is preferable to secured bank loans for businesses because it provides more efficient and affordable short-term financing, and allows businesses to invest more in job creating activities at a time when banks have changed their approach to corporate credit as a result of Basel III and other regulations.

It is important that H.R. 4216 be enacted as quickly as possible to avoid long-term damage to the indispensable capital markets financing options provided by money market funds. The legislation will provide accounting consistency in our global money funds market while maintaining other recently adopted regulations regarding asset maturities, credit quality, and transparency.

I appreciate your leadership in advancing H.R. 4216, and am available to answer any questions or provide additional information. You may contact me at 301.961.8872 or jglenzer@AFPonline.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff A. Glenzer', is positioned above the typed name.

Jeff A. Glenzer, CFP®
Vice President & Chief Operating Officer

cc: Members of the House Financial Services Committee