



Preserving Money Market Funds for Public Infrastructure Investment and Economic Growth

December 8, 2016

The Honorable Scott Garrett
Chairman
Subcommittee on Capital Markets and
Government Sponsored Enterprises
Washington, DC 20515

The Honorable Carolyn Maloney
Ranking Member
Subcommittee on Capital Markets and
Government Sponsored Enterprises
Washington, DC 20515

Dear Chairman Garrett and Ranking Member Maloney:

On behalf of the Coalition for Investor Choice, I ask that the following comments be submitted for the record of today's Subcommittee hearing entitled "The Impact of Regulations on Short-Term Financing." Thank you for your willingness to hold this hearing, which covers a topic that is critical to economic growth, job creation and the efficient functioning of our capital markets.

The Coalition for Investor Choice represents the interests of nearly 250 national, state and local entities and financial professionals who are issuers, borrowers and investors that support bipartisan legislation in Congress that will allow all investors to continue to use money market funds on a stable net asset value (NAV) basis. A list of those entities and financial professionals is attached, and their letters of support can be found at www.protectinvestorchoice.com/participants.

While my comments are focused narrowly on an amendment adopted by the Securities and Exchange Commission (SEC) to rule 2a-7 regarding the regulation of money market funds, the impact of that amendment has reverberated broadly throughout the short-term funding markets.

As you know, among the amendments to rule 2a-7 adopted by the SEC in July 2014 is a requirement that any money market fund, other than a fund investing only in U.S. government securities, which is available to investors who are so-called "non-natural persons" must transact using a fluctuating, or "floating" net asset value (NAV) instead of a stable \$1 per share. During the rulemaking process, many of the organizations represented in our coalition expressed concerns that the rule would have far reaching consequences on the ability of non-financial businesses to raise short-term capital and manage cash. In particular, they warned the SEC that a floating NAV would not provide an incremental benefit to market stability but would, instead, do irreparable harm to money market fund investors, issuers and borrowers. That is exactly what has come to pass.

As of the rule's October 14, 2016 implementation date, over \$1.15 trillion has exited non-government money market funds, leaving the private sector and moving into Treasury and Government funds. As a result, LIBOR has spiked to its highest level since the financial market

crisis, as have rates on short-term municipal debt. Prime funds, a key source of funding for corporations and banks, have seen a 72% drop from January 2015 while tax-exempt funds, a key source of funding for municipalities, universities and hospitals, have experienced a more than 50% decline over the same period. In turn, private sector borrowing costs have risen by tens of billions of dollars, and municipal short-term borrowing has increased on average from under five basis points at the beginning of the year to as high as 75 basis points today.

In its July 2014 final rule, the SEC argued that applying a floating NAV to just a subset of money market funds was needed to address an “incremental incentive to redeem” as a result of a first mover advantage inherent in a stable NAV fund, and to reduce the potential for unfair investor dilution. But nowhere in the release did the SEC cite or provide an analysis suggesting that this “incremental” benefit was worth the cost of destroying the utility of prime and tax-exempt money market funds for institutional investors and with it, nearly \$1.2 trillion in private sector capital and tens of billions more in lost interest income as businesses and other institutions are unable to benefit from market rates of return on their short-term cash investments. In essence, the SEC’s effort to prevent a run on money market funds actually resulted in the largest run on prime and tax-exempt funds since those products were created over 40 years ago.

There are those who rightfully point out that virtually all of the assets that have left prime and tax-exempt funds have moved into Government and Treasury funds, thereby maintaining this important cash management tool for institutional investors. It is heartening for the money fund industry, which has expended significant resources to meet the new requirements by the implementation date, that investors did not convert their prime and tax-exempt money market fund investments into bank deposits, and the fund companies will continue to earn the management fees needed to recoup those costs. But this is of little consolation to the public and private sector users of money market funds that no longer have access to low cost financing provided by money market funds, or a convenient and safe tool for obtaining market returns on the short-term management of money.

H.R. 4216 would preserve the stable net asset value (NAV) for all money market fund investors, and restore an investment and short-term financing option that has been indispensable to economic growth and public infrastructure investment. It holds the SEC accountable for conducting realistic cost-benefit analysis by codifying Congress’ intent that the SEC engage in appropriate day-to-day regulation while maintaining the utility of this important product to the investor. We urge the Members of the Subcommittee to support this important legislation.

Thank you for the opportunity to provide the perspective of issuers, borrowers and investors on this important issue.

Sincerely,



Vincent Randazzo
Executive Director
Coalition for Investor Choice, Inc.

Attachment: Supporters of H.R. 4216/S. 1802

SUPPORTERS OF H.R. 4216/S. 1802

National Organizations

American Association of Metropolitan Water Agencies

Association of Financial Professionals

Association of School Business Officials International

National Association of Corporate Treasurers

Public Finance Network:

- Government Finance Officers Association
- National Association of Counties
- U.S. Conference of Mayors
- National League of Cities
- International City/County Management Association
- National Association of Health and Educational Facilities Finance Authorities
- International Municipal Lawyers Association
- National Council of State Housing Agencies
- American Public Power Association
- Large Public Power Council

State Financial Officers Foundation

US Black Chambers, Inc.

Alabama

Alabama Associated General Contractors

Alabama Road Builders Association

Alabama State University

American Council of Engineering Companies of Alabama

Jason Reeves, Mayor, City Troy, Alabama

Joint Engineers Council of Alabama

Alabama League of Municipalities

Todd Strange, Mayor, City of Montgomery, Alabama

Young Boozer, Alabama State Treasurer

Arizona

League of Arizona Cities and Towns

California

California Housing Finance Agency

Greater Los Angeles African American Chamber of Commerce

Colorado

Eagle County Board of Commissioners

Florida

Florida League of Cities

Pinellas County Housing Finance Authority

Idaho

Ron G. Crane, Idaho State Treasurer

Illinois

Bill Cunningham, Member, Illinois State Senate
 Chicagoland Chamber of Commerce
 City of Chicago
 Daniel J. Cronin, County Board Chairman, DuPage County
 Deborah Conroy, Member, Illinois House of Representatives
 Jim Durkin, Minority Leader, Illinois House of Representatives
 John M. Cabello, Member, Illinois House of Representatives
 Kelly Burke, Member, Illinois House of Representatives
 Kimberly A. Lightford, Assistant Majority Leader, Illinois State Senate
 Metropolitan Mayors Caucus
 Michael E. Hastings, Member, Illinois State Senate
 Michael Frerichs, Illinois State Treasurer
 Michael J. Zalewski, Member, Illinois House of Representatives
 Natalie Manley, Member, Illinois House of Representatives
 Pat McGuire, Member, Illinois State Senate
 South Suburban Mayors & Managers Association
 Southwest Conference of Mayors
 State University Annuitants Association
 Tom Cullerton, Member, Illinois State Senate
 William D. Burns, Chicago City Council

Indiana

1st Source Corporation
 Association of Indiana Counties
 Hoosier Trust Company
 Indiana Association of Cities and Towns
 Indiana Chamber of Commerce
 Indiana County Treasurers' Association

Massachusetts

Bill Carpenter, Mayor, City of Brockton
 Boston City Council
 City of Boston
 City of Cambridge
 Deborah B. Goldberg, Massachusetts State Treasurer
 IBEW Local 103 of Greater Boston
 James M. Cantwell, Member, Massachusetts House of Representatives
 Jon Mitchell, Mayor, City of New Bedford
 Joseph Connolly, Norfolk County Treasurer
 Kevin Merz, Treasurer/Collector, Ipswich, Massachusetts
 Kimberley Driscoll, Mayor, City of Salem
 Marc Waldman, Treasurer, Town of Wellesley
 Massachusetts Chamber of Commerce

Massachusetts Housing Finance Agency
 Massachusetts Municipal Association
 New England Regional Council of Carpenters, Local 275
 Thomas J. O'Brien, Treasurer, County of Plymouth
 Thomas P. Koch, Mayor, City of Quincy
 Worcester Chamber of Commerce

Michigan

Michigan Association of Counties

Minnesota

Association of Minnesota Counties

Mississippi

Lynn Fitch, Mississippi State Treasurer

Missouri

Missouri Association of Counties
 Missouri Health and Educational Facilities Authority
 Sylvester "Sly" James, Jr., Mayor of Kansas City, Missouri

New Jersey

County of Hudson Administrator
 J. Christian Bollwage, Mayor, City of Elizabeth
 New Jersey Association of Counties

New York

Kenneth W. Jenkins, Legislator 16th District, Westchester County
 Mark Schroeder, Comptroller, City of Buffalo
 Medaille College
 Queens Chamber of Commerce
 Queens Economic Development Corporation
 Richard C. David, Mayor, City of Binghamton
 Rochester Building and Construction Trades Council
 Seamen's Society for Children and Families
 Sean M. Ryan, Member, New York State Assembly
 Timothy M. Kennedy, Member, New York State Senate
 Town of Cheektowaga
 Village of Williamsville

North Carolina

Duke Energy Corp.

Ohio

Ohio Council of Port Authorities
 Armond Budish, County Executive, Cuyahoga County
 Bill Bias, Treasurer, Athens County
 Board of Commissioners, Franklin County
 Board of Commissioners, Lake County
 Bud Zappitelli, Fiscal Officer, New Albany Plain Township
 Cecil Thomas, Member, Ohio State Senate
 Charlie Adkins, County Commission, Athens County
 Chris Burnham, President, Development Finance Authority of Summit County
 Chris Chmiel, County Commissioner, Athens County
 County Commissioners Association of Ohio
 County Treasurers Association of Ohio
 Daniel Horrigan, Mayor, City of Akron
 Denise Driehaus, Member, Ohio House of Representatives
 Development Finance Authority of Summit County
 Dominic Paretti, Board of Education, Columbus City Schools
 Dorsey Hager, Executive Secretary-Treasurer, Columbus/Central Ohio Building and
 Construction Trades Council
 Ed Leonard, Treasurer, Franklin Ohio
 Eddie Parks, President, AFSCME Retirees Subchapter 108
 Edna Brown, Member, Ohio State Senate
 Eric Dean, Finance Director, City of North Royalton
 Fred Strahorn, Minority Leader, Ohio House of Representatives
 Heather Bishoff, State Representative, Ohio House of Representatives
 IBEW Local No. 8
 Inter-University Council of Ohio
 International Brotherhood of Electrical Workers Local 972
 Jack Cera, State Representative, Ohio House of Representatives
 Janine Boyd, Member, Ohio House of Representatives
 Joe Schiavoni, Minority Leader, Ohio State Senate
 Kathy Hecht, Auditor, City of Athens
 Kenny Yuko, Member, Ohio State Senate
 Lennie Wyatt, President, United Food and Commercial Workers Union Local 75
 Lenny Eliason, County Commissioner, Athens County
 Linda Bolon, County Treasurer, Columbiana County
 Lou Gentile, Member, Ohio State Senate
 Martin J. Sweeney, Member, Ohio House of Representatives
 Mary Jo Hudson, Member, Columbus Board of Education
 Matthew A. Szollosi, Executive Director, ACT Ohio – Affiliated Construction Trades
 Miami University of Ohio
 Michael Sheehy, Member, Ohio House of Representatives
 Nan Whaley, Mayor, City of Dayton
 Ohio Council of County Officials
 Ohio Municipal League
 Paul Worley, County Commissioner, Adams County
 Paula Hicks Hudson, Mayor, City of Toledo
 Pete Gerken, County Commissioner, Lucas County
 Roetzel & Andress
 Scott Hammond, Business Manager, Sheet Metal Workers Local 24

Scott Schertzer, Mayor, City of Marion
 Sprinkler Fitters Local 669
 Steve Patterson, Mayor, City of Athens
 Ted Linscott, President, Southeastern Ohio Central Labor Council
 The MetroHealth System
 Ohio Council of Port Authorities
 University of Cincinnati
 University of Toledo
 William J. Roth, Jr., Mayor, City of Fairlawn
 Youngstown State University

Oregon

Association of Oregon Counties

Pennsylvania

Pittsburgh Chamber of Commerce
 Bill Peduto, Mayor, City of Pittsburgh
 Federated Investors, Inc.
 Frank, Gale, Bails, Murcko & Pocrass, P.C.
 John Weinstein, Treasurer, Allegheny County
 Mon Valley Progress Council, Inc.
 Mon Yough Area Chamber of Commerce
 Penn State University
 Pennsylvania Manufacturers Association
 Regional Learning Alliance
 Rich Fitzgerald, County Executive, Allegheny County
 University of Pittsburgh
 University of Pittsburgh Medical Center
 Wilson College

Texas

City of Dallas
 City of Houston
 Douglas Athas, Mayor, City of Garland
 Harris Health System
 Institute for Policy Innovation
 Lower Colorado River Authority
 Mesquite Independent School District
 Texas Association of Business
 Texas Conservative Coalition:

- Sen. Don Huffines (SD 16 - Dallas),
- Rep. Rodney Anderson (HD 105 - Grand Prairie),
- Rep. Cindy Burkett (HD 113 - Sunnyvale),
- Rep. Giovanni Capriglione (HD 98 - Southlake),
- Rep. Jeff Leach (HD 67 - Plano),
- Rep. Ron Simmons (HD 65 - Carrollton)

Texas Municipal League
 Texas State University System

Trinity River Authority of Texas
University of Texas System

Virginia

Bill Carrico, Senior Member, Virginia State Senate
Charlottesville Regional Chamber of Commerce
City of Virginia Beach
Danville Pittsylvania Chamber of Commerce
Dominion Resources, Inc.
George Mason University
George Mason University Foundation
Greater Richmond Chamber of Commerce
Hampton Roads Chamber of Commerce
Loudoun County Chamber of Commerce
Lynchburg Regional Business Alliance
Old Dominion Electric Cooperative
Prince William Chamber of Commerce
Roanoke Regional Chamber of Commerce
Ron Villanueva, Member, Virginia House of Delegates
Virginia Chamber of Commerce
Virginia Transportation Construction Alliance

West Virginia

Parkersburg-Marietta Building and Construction Trades Council, AFL-CIO