



May 11, 2017

The Honorable Bill Huizenga
United States House of Representatives
2232 Rayburn H.O.B.
Washington, D.C. 20515

Re: Support HR 231 - the Consumer Financial Choice and Capital Markets Protection Act

Dear Congressman Huizenga,

On behalf of the Michigan Chamber of Commerce, I am writing to request your support for H.R. 2319, the Consumer Financial Choice and Capital Markets Protection Act of 2017. This bipartisan legislation will support job creation and economic growth by restoring money market funds as an investment tool and a source of low-cost variable rate borrowing for both public and private sector entities.

Businesses and governments in our state benefit from money market funds as a tool to invest short-term operating cash, and as purchasers of debt used to finance infrastructure, economic development and business expansion. Unfortunately, new rules to money market funds that were adopted by the Securities and Exchange Commission (SEC) in July 2014, and which went into effect on October 14, 2016, have had a far reaching negative impact on the ability of private and public sector entities in Michigan to raise short-term capital and manage cash.

Particularly harmful is a new SEC requirement that prime and tax-exempt funds available to businesses and local governments may no longer sell and redeem shares using a stable net asset value (NAV), or \$1 per share. Instead, such funds must utilize a fluctuating, or "floating NAV. As a result of the October 14, 2016 rule, over \$1.15 trillion has exited prime and tax-exempt money market funds, causing the fund managers to liquidate such funds and thereby depriving our members of cost efficient short term financing options.

Under the principal of supply and demand, short-term interest rates, including rates on municipal debt, spiked to their highest levels since the financial market crisis. Prime funds, a key source of funding for Michigan employers, have seen a 72% drop since January 2015. Tax-exempt funds are a key source of funding for Michigan's municipalities, universities and hospitals. Tax-exempt funds have experienced a more than 50% decline over the same period. In turn, borrowing costs have risen, in the aggregate, by tens of billions of dollars.

As investments flowed out of tax-exempt funds, governments in Michigan lost nearly \$2 billion in funding, which had to be replaced at higher borrowing costs. Much of these funds were used to finance infrastructure projects, including road repairs, school facilities, hospitals, and affordable housing



projects, some of which may have to be delayed or cancelled. While many of the projects are publicly funded, the suppliers of labor and materials for these projects are often private sector members of the Michigan Chamber of Commerce.

A second negative impact is the reduced income our members are able to generate from market rates of return on their short-term cash investments. Lower rates of return drive up the cost of doing business, and results in less business investment and job creation.

A return to the fixed NAV would preserve the stable net asset value 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 in Michigan for over forty years without any harmful impact.

I would like to leave you with an interesting quote from the August 3, 2016 Bloomberg article which summarizes the impact of the SEC rule: "money market funds decimated by rules intended to save them." Clearly this type of regulation is not helpful, please support H.R. 2319.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Richard Studley".

Richard Studley
President & CEO

Cc: Congressman Kildee
Congressman Trott
Senator Peters
Senator Stabenow