COALITION
FOR INVESTOR CHOICE INC.

Preserving Money Market Funds for Public Infrastructure Investment and Economic Growth

Coalition Commends Senators Toomey, Manchin, Rounds and Menendez on introduction of Consumer Financial Choice and Capital Markets Protection Act

May 12, 2017 – The Coalition for Investor Choice, Inc., today praised Senators Pat Toomey (R-PA), Joe Manchin (D-WV), Mike Rounds (R-SD) and Bob Menendez (D-NJ) for introducing bipartisan legislation (S. 1117) to reverse the significant unintended consequences of amendments adopted by the Securities and Exchange Commission (SEC) to Rule 2a-7 governing money market funds, which took effect on October 14, 2016. Similar legislation (H.R. 2319) was introduced in the House of Representatives a week earlier by Reps. Keith Rothfus (R-PA), Gwen Moore (D-WI) and Steve Stivers (R-OH).

Among other things, the SEC's amendments, adopted in July 2014, provide that money market funds (other than government funds) that are available to investors other than "natural persons" are no longer permitted to operate on a stable NAV basis, and instead are required to use a floating NAV.

"As a result of the SEC's amendments, nearly $1.2 trillion has exited non-government money market funds," noted Vince Randazzo, executive director of the coalition, which represents investors in and issuers of debt held by money market funds. "This led to short-term interest rates, including rates on short-term municipal debt, spiking to their highest levels since the financial market crisis."

By restoring the stable NAV of institutional prime and tax-exempt funds, the Consumer Financial Choice and Capital Markets Protection Act of 2017 addresses the onerous accounting and recordkeeping requirements on de minimis and typically offsetting daily fluctuations for institutions making investments in those funds, thus making them useful cash management tools again. The legislation codifies the ability of any fund to operate without imposing a mandatory liquidity fee on a redeeming shareholder, which eliminates the distinction between funds investing exclusively in U.S. government securities and non-government funds where only government funds can operate free of mandatory liquidity fees. It also prohibits Federal assistance from being provided directly to any money market fund, regardless of whether it operates as a Stable Value Fund or a Floating NAV Fund.

"Making these bipartisan common sense reforms will restore cost-effective short-term funding for America's businesses, state and local governments, universities, hospitals and affordable housing projects," Randazzo stated. "At the same time, the legislation maintains and protects the essential reforms to Rule 2a-7 that were adopted by the SEC in 2010 and 2014 to increase liquidity and transparency, and minimize the risk of heavy redemptions during a financial crisis."

According to the Coalition for Investor Choice, the Consumer Financial Choice and Capital Markets Protection Act is supported by nearly 250 national, state and local entities and financial professionals who are issuers, borrowers and investors in money market funds, including the Government Finance Officers Association, the Association for Financial Professionals, the National Association of Corporate Treasurers, the National Association of Counties, U.S. Conference of Mayors, National League of Cities, National Association of Health and Educational Facilities Finance Authorities, and the American Public Power Association.

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