ASSOCIATION FOR FINANCIAL PROFESSIONALS

November 2, 2017

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

The Honorable Bill Huizenga
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, Huizenga and Maloney:

On behalf of the Association for Financial Professionals (AFP), I am writing to request your support for H.R. 2319, the Consumer Financial Choice and Capital Markets Protection Act, which will be the subject of a Capital Markets Subcommittee hearing on November 3. 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 was undermined by a Securities and Exchange Commission (SEC) rule that took effect in October 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 have been forced to shift their short-term cash management needs out of these money market funds and into other types of investments that do not support the capital access needs of businesses and communities.

As a result of the implementation date of the floating NAV rule, the capital pool that is available to business borrowers shrank by about $160 billion since the beginning of 2016, while many businesses are pay higher rates to alternative lenders. At the same time, municipal entities and non-government conduit borrowers, such as hospitals and universities, have seen their borrowing costs increase from under 10 basis points to about 90 basis points over the same period.

Our members prefer money market funds over other investment vehicle because they provide liquidity, principal preservation, 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.

It is important that H.R. 2319 be enacted as quickly as possible to reverse the long-term damage being done 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. 2319 as quickly as possible, and am available to answer any questions or provide additional information.

Sincerely,

Jeff A. Glenzer
Chief Operating Officer
Association for Financial Professionals
4520 East-West Highway, Ste. 800
Bethesda, MD 20814
301-961-8872

cc: Members of the House Financial Services Committee