



June 26, 2018

Senator Pat Toomey
248 Russell Senate Office Building
Washington, D.C. 20510

Senator Robert Menendez
528 Hart Senate Office Building
Washington, D.C. 20510

Senator Joe Manchin
306 Hart Senate Office Building
Washington, D.C. 20510

Senator Michael Rounds
502 Hart Senate Office Building
Washington, D.C. 20510

RE: Senate Bill 1117, the Consumer Financial Choice and Capital Markets Protection Act Background and Explanation

Dear Senator Toomey, Senator Menendez, Senator Rounds, and Senator Manchin:

The American Securities Association (ASA)¹ welcomes the opportunity to submit a letter in support of S. 1117. The ASA's support is derived from the diversity of our membership, the different business models of our membership, and the vast experience our members have transacting in the U.S. municipal bond markets.

This bill addresses an issue of government regulation picking winners and losers. This outcome is not a theoretical debate as the aftermath of the SEC's 2014 Amendments to Rule 2a-7 in October 2016 (to allow for a floating NAV) caused approximately \$1.2 trillion of private sector liquidity including roughly 80% of prime and municipal money fund balances to be shifted to U.S. government funds, which were allowed to maintain a stable NAV.

By forcing municipal investors out of prime and tax-exempt funds and into government funds, the SEC's floating NAV rule has increased costs on taxpayers and businesses without any material benefit, other than creating artificial demand for U.S. government deficit spending.

Because of this, municipalities are being forced to seek higher cost borrowing options, reduce their short-term capital consumption, and terminate infrastructure projects that benefit their communities. These options hinder growth, fail to increase prosperity, and disadvantage state and local tax payers.

¹ The ASA is a trade association that represents the retail and institutional equity capital markets interests of middle market financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors and support efficient and competitively balanced equity capital markets that advance financial independence, stimulate job creation, and increase prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.



S.1117 is a broadly bi-partisan bill that fixes the SEC's misguided policy to float the NAV without any detrimental impact on financial stability.

We are pleased to see the committee taking up this bill. We support its swift approval out of committee and its passage by the full Senate in this Congress.

Sincerely,

Christopher A. Iacovella
American Securities Association
Chief Executive Officer