

**American Public Power Association  
Council of Development Finance Agencies  
Council of Infrastructure Financing Authorities  
Government Finance Officers Association  
International City/County Managers Association  
International Municipal Lawyers Association  
National Association of Counties  
National Association of Local Housing Financing Agencies  
National Association of State Auditors, Comptrollers and Treasurers  
National Association of State Treasurers  
National League of Cities  
U.S. Conference of Mayors**

January 10, 2011

Ms. Elizabeth Murphy  
Secretary  
Securities and Exchange Commission  
100 F St., N.E.  
Washington, DC 20549-1090

Re: Request for Comment on the President's Working Group Report on Money Market Fund Reform (Release No. IC-29497; File No. 4-619)

Dear Ms. Murphy,

The organizations listed above are pleased to comment on the SEC's consideration of the President's Working Group on Financial Markets report, specifically on possible money market reforms, entitled Money Market Fund Reform Options. As we have stated in previous comments to the SEC, notably to proposed changes to SEC Rule 2a-7 in 2009, we support initiatives to strengthen money market funds and ensure that investors are investing in high-quality securities. However, as investors in money market mutual funds (MMMFs), we are concerned about any changes that would alter the nature of these products and eliminate or impede our ability to purchase these securities. In our additional role as issuers of municipal bonds, we are concerned that such changes would dampen investor demand for the securities we offer and deprive state and local governments of much-needed capital.

We are particularly concerned with the issue of whether the SEC should propose or adopt a rule that would change the fixed net asset value (NAV) – the hallmark of money market funds – to a floating net asset value. We believe that such a move would be harmful to state and local governments and the entire MMMF market. The fixed NAV is the fundamental feature of money market funds, and changing its structure likely would eliminate the market for these

products by forcing state and local governments, along with many other institutional investors, to divest their MMMF holdings.

Shrinking the market for MMMFs, in turn, would have severe consequences for state and local finances. MMMFs are the largest investor in short-term municipal bonds, holding 65% of all outstanding short-term bonds equaling nearly \$500 billion.<sup>1</sup> Changing the NAV from fixed to floating would make MMMFs far less attractive to investors, thereby limiting the availability for money market funds to purchase municipal securities. Losing this vital investing power could lead to higher debt issuance costs for many state and local governments across the country. Forcing money market funds to float their NAV could thus deprive state and local governments of much-needed capital.

As investors, many state and local governments look to MMMFs as part of their cash management practice. In the Government Finance Officer Association Best Practice, "Use of Various Types of Mutual Funds by Public Cash Managers," governments are encouraged to look to money market funds for short-term investments, with appropriate cautions. One of the critical reasons for this recommendation is the fixed NAV found in these products. In fact, many governments have specific policies that mandate stable values, and money market funds are to be used for their short-term investments due to the fixed NAV. MMMFs are a popular cash management tool because they are highly regulated, have minimal risk, and are easily booked. If the SEC were to adopt a floating NAV for MMMFs, the organizations listed above expect that many, if not all, of their members would divest a significant percentage of their MMMFs and would have to look at competing products that, in turn, could be more susceptible to market conditions, more difficult to account for and manage, and may pose market risk.

Therefore, in considering the options presented in the President's Working Group on Financial Markets report, we recommend that the SEC and the Financial Stability Oversight Council (FSOC) be cognizant of the potential negative effects on state and local governments of any proposals that would fundamentally alter money market mutual funds, in particular those that would directly or indirectly force these funds to float their NAVs. If the Commission or the FSOC does plan to advance the idea of a floating NAV, we request that they provide a hearing and formal proposal of rules for comment and thorough discussion.

Thank you for the opportunity to comment on the SEC's consideration of the recommendations made in the President's Working Group on Financial Markets report on money market fund reform. If you have any questions about this letter, please contact Susan Gaffney, Director of the Government Finance Officers Association's Federal Liaison Center at 202-393-8468.

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<sup>1</sup> Report of the Money Market Working Group, Investment Company Institute, March 2009, pages 18-19.

Sincerely,

American Public Power Association

Council of Development Finance Agencies, Toby Rittner

Council of Infrastructure Financing Authorities, Rick Farrell

Government Finance Officers Association, Susan Gaffney

International City/County Managers Association, Beth Kellar

International Municipal Lawyers Association, Chuck Thompson

National Association of Counties, Mike Belarmino

National Association of Local Housing Financing Agencies, John Murphy

National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou

National Association of State Treasurers, Jim Currie

National League of Cities, Lars Etzkorn

U.S. Conference of Mayors, Larry Jones