



Washington Update



SEC APPROVES NEW MONEY MARKET FUND RULES

Last Wednesday, the U.S. Securities and Exchange Commission approved (on a 3-2 vote) and released long-awaited money market fund rules. The new rules require a floating net asset value (NAV) for institutional prime money market funds, which allows the daily share prices of these funds to fluctuate along with changes in the market-based value of fund assets and provides non-government money market fund boards new tools – liquidity fees and redemption gates – to address runs. With a floating NAV, institutional prime money market funds (including institutional municipal money market funds) are required to value their portfolio securities using market-based factors and sell and redeem shares based on a floating NAV. These funds will no longer be allowed to use the special pricing and valuation conventions that currently permit them to maintain a constant share price of \$1.00.

The following organizations issued statements on the SEC's decision:

The Securities Industry and Financial Markets Association:

“Upon first review, we are encouraged that the SEC has limited the new floating NAV requirement

to institutional prime funds. We agree that it is appropriate to carve out retail and government money market funds from a floating NAV requirement as these funds have not shown susceptibility to destabilizing runs.”

The Government Finance Officers Association:

“The SEC's final rule contains a number of components that were included in its 2013 proposal – which the GFOA opposed and commented on in an independent letter and as part of a state and local association coalition last fall... The change to a floating NAV would affect governments as investors, as many state and local governments are subject to policies and legal restrictions that only permit them to invest in funds that do not fluctuate in value. The final rule would also affect local government investment pools (LGIPs). Many state governments operate LGIPs, which are critical local government investment tools that must comply with standards set for them by the Government Accounting Standards Board. As the GASB requires LGIPs to operate in a manner consistent with the SEC rule governing money market funds (Rule 2a-7), the SEC's proposal to modify this rule and institute a floating NAV would put many of these LGIPs out of compliance with GASB.”

Federated Investors:

“Federated is disappointed that the SEC voted to adopt a floating NAV for institutional prime and institutional municipal money-market funds... In our numerous comment letters to the SEC and public statements, Federated repeatedly noted the lack of any evidence that instituting a floating NAV would do anything to eliminate runs (one of the SEC's primary goals in adopting the changes) during a time of extreme market stress in the financial markets. In addition, a floating NAV imposes significant and costly daily operational burdens on money-market fund users, limiting the utility of such funds as a cash management tool, which runs counter to the SEC's other stated goal of preserving the benefits of money-market funds for investors and issuers.”

A July 23 press release from the SEC can be found at www.sec.gov/News/Page/List/Page/1356125649507.



SOCIAL SECURITY PUBLISHES OPEN GOVERNMENT PLAN 3.0

The Social Security Administration (SSA) has released its Open Government Plan 3.0, the most up-to-date version of Social Security's commitment to running a more transparent, collaborative and participatory agency. This new plan contains new efforts to provide improved services to the public, including the flagship initiative, the online Message Center, where the public can securely and conveniently get or provide personal Social Security information. In addition, this new plan provides more information about SSA's efforts to improve services such as their wounded warrior collaboration, health information technology, and data exchanges.

Details on the progress of the Open Government plan can be found [here](#).

THE WEEK AHEAD: A HEAVY SCHEDULE BEFORE SUMMER RECESS

Tuesday, July 29, 2014

- With states cracking down on cigarette smuggling in their jurisdictions, the Senate Finance Committee will conduct a hearing on "Tobacco: Taxes Owed, Avoided, and Evaded." Witnesses will include John Manfreda, administrator at the Alcohol and Tobacco Tax and Trade Bureau, Dr. David Gootnick, director of international affairs and trade at the Government Accountability Office, Michael Tynan, policy officer at the Oregon Public Health Division, and Scott Drenkard, economist and manager of state projects at the Tax Foundation. Details can be found [here](#).
- As credit analysts at Standard & Poor's begin taking into consideration the effects of climate change on governmental credit quality, the Senate Budget Committee will hold a hearing on the "Costs of Inaction: The Economic and Budgetary Consequences of Climate Change." The hearing will focus on how climate change is not only an environmental and economic challenge, but also increasingly a fiscal challenge, and will examine how failing to mitigate the risks associated with climate change will affect the federal budget. Details can be found [here](#).

Wednesday, July 30

- The House Ways and Means Select Revenue Measures Subcommittee will hold a hearing on dynamic analysis of the discussion draft of the Tax Reform Act of 2014, as released by Chairman Dave Camp on February 26, 2014. Specifically, the subcommittee will review dynamic analyses of the macroeconomic effects of the draft conducted by outside economists, the role of dynamic analysis in assessing tax reform proposals, how dynamic analysis can provide recommendations to strengthen the draft, and recommendations for improving the availability and use of dynamic analysis. Details can be found [here](#).
- The House Ways and Means Human Resources Subcommittee will hold a hearing on subsidized jobs programs and their effectiveness in helping families escape poverty. This hearing will focus on state subsidized jobs programs designed to move individuals from welfare to work, including what research reveals about the impact of such programs on employment and earnings. Details can be found [here](#).
- Also on Wednesday, the Senate Commerce, Science, and Transportation Committee will review, "Cramming on Wireless Phone Bills: A Review of Consumer Protection Practices and Gaps." The committee's 2010-11 review of third-party billing on landline phones found that "cramming" – where fraudulent charges are placed on consumers' phone bills – had been occurring for several decades and was estimated to have cost consumers billions of dollars. The hearing will review findings of the chairman's wireless cramming inquiry and examine consumer protections as carrier billing technologies and practices continue to evolve. Details can be found [here](#).

Thursday, July 31, 2014

- The Senate Banking, Housing, and Urban Affairs Committee will conduct a hearing entitled "Financial Products for Students: Issues and Challenges." Witnesses will include Kenneth Kocer, president of the South Dakota Association of Student Financial Aid Administrators and director of Financial Assistance at Mount Marty College; and Richard Hunt, president and CEO of the Consumer Bankers Association. Details can be found [here](#).

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