PLCM

The Pennsylvania League of Cities and Municipalities

A Century of Commitment

March 30, 2012

The Honorable Mary Schapiro
Chair
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Chairwoman Schapiro,

As most people who have worked with budgets in the public sector can attest, money market funds are very important investment tools used by local and state governments. In addition, the portfolios of these funds contain more than half of the short-term debt that municipalities use to finance public works like building bridges, roads and other infrastructure, as well as low-income housing and hospitals.

Money market funds are popular because of their stable $1.00 net asset value (NAV), which makes them important investments for municipalities that are looking for a decent rate of return with minimal risk. They are able to provide a stable NAV by adhering to strict regulations that govern the quality, liquidity, diversification and maturity of the portfolios contained within the funds. Many local governments operate under legal constraints or other policies that prevent them from investing in instruments without a stable value.

Being able to access 100% of money invested in a money market fund when needed is also a critical attribute. Holding back a portion of an investor's money to guard against changes in share value would drive investment away from the funds. Either of these proposed changes could severely damage or eliminate money market funds.

In surveys, public statements, and letters to regulators, investors across the country have expressed clearly that they would be unable or unwilling to use floating-NAV money market funds. In fact, more than three quarters of corporate money market fund users surveyed stated that they would move cash out of these funds if the stable NAV is eliminated. Reactions to redemption restrictions have been much the same.

In 2010, the SEC passed comprehensive rule changes to make these funds more stable and resilient. Those reforms were tested last summer by the European debt crisis, the showdown over the U.S. debt ceiling, and the first-ever downgrade of the U.S. debt rating—and money market funds weathered those storms. Rather than "over-regulating," the members of the Pennsylvania League of Cities and Municipalities (PLCM) believe money market funds should be allowed to continue to work because they are working well and safely.

414 North Second Street, Harrisburg, PA 17101 • Phone: (717) 236-9469
Fax: (717) 236-6716 • Website: www.plcm.org
Richard P. Vilello, Jr., Mayor, Lock Haven, *President* • John A. Garner, Jr., *Executive Director*
Est. 1900 • Member, National League of Cities
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At a time when so many local governments are struggling, destroying one of their most important sources of financing and investment would be disastrous. State and municipal governments would face spending more on financing, increasing taxes because of lower yield on investments, cutting back on needed public projects, and shifting their investments to less secure bank products with lower yields – or more likely – all of the above.

We believe that the SEC should not consider proposals that would only serve to create further financial challenges in Pennsylvania and throughout the nation.

Thank you for your time and consideration of our comments.

Sincerely,

John A. Garner, Jr.

John A. Garner, Jr.
Executive Director
PLCM