TML
Tennessee Municipal League

ES/41700

May 10, 2012

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

Dear Chairman Schapiro:

On behalf of the Tennessee Municipal League, I am writing to express our concerns about the proposed changes to the structure of money market funds. We strongly oppose proposals that would force these funds to abandon their stable $1.00 per-share price and instead "float" their net asset values (NAVs). We also oppose redemption restrictions which would keep investors from being able to access as much as 5% of their investment for 30 days.

As the advocate for Tennessee's cities and towns, we are deeply aware of the value that these municipalities derive from money market funds. However, in our view, forcing money market funds to float their NAVs or restrict the ability of investors to retrieve 100% of their money would:

- **Impede financing for critical infrastructure and public works projects**. Money market funds hold more than half of the short-term debt that finances state and municipal governments for public projects such as roads, bridges, water and sewage treatment facilities and hospitals. Without that financing, local governments may be forced to limit projects and staffing, spend more on financing by investing in lower yield products, or increase taxes.

- **Disrupt the municipal bond market**. Any effort by the SEC to fundamentally change money market funds would have an extremely disruptive effect on the municipal bond market. This ultimately could cost state and local governments millions of dollars, as they would have to turn to more costly – and/or more risky – investments as well as face higher costs for issuing debt due to shrinking demand for the market. In fact, it is important to note that these funds are the largest investors in short-term municipal bonds.

- **Hobble municipal cash management**. The use of money market funds for short-term investments and as a cash management tool is cited as a best practice by the Government Finance Officers Association, because these funds are highly liquid, stable, have a reasonable rate of return, and have minimal risk. In fact, many governmental bodies, businesses, and institutions operate under legal constraints or investment policies that prevent them from investing cash balances in instruments that fluctuate in value.

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In addition, in surveys, public statements, and letters to regulators, municipalities across the country have expressed strong concern that they would be unable or unwilling to use a 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. Limiting the ability of investors to retrieve their money when needed would also be very unpopular and lead to diminished investment in the funds.

Now, the cities and towns of Tennessee have joined that collective voice. We believe that the SEC should not consider proposals that only would create further financial challenges in Tennessee and throughout the nation.

We thank you in advance for your time and consideration of our comments on this important matter.

Sincerely,

Margaret Mahery
Executive Director