



COMMITTEE ON CORPORATE TREASURY

June 24, 2011

The Honorable Scott Garrett
Chairman
House Financial Services
Subcommittee on Capital Markets
2129 Rayburn HOB
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services
Subcommittee on Capital Markets
B301 C Rayburn HOB
Washington, DC 20515

Re: Money Market Funds and the Need to Preserve Stable Net Asset Value (NAV)

Dear Chairman Garrett and Ranking Member Waters:

Given the hearing scheduled in the House Financial Services Subcommittee on Capital Markets to explore the issues facing mutual funds and their investors, I am writing on behalf of Financial Executives International (FEI)'s Committee on Corporate Treasury (CCT) to express our views on the need to preserve money market funds' stable net asset value (NAV) structure during continued discussions to reform these funds, and also express concerns with policy proposals requiring funds to float their value.

FEI is a professional association representing the interests of more than 15,000 chief financial officers, treasurers, controllers, tax directors, and other senior financial executives from over 8,000 major companies throughout the United States and Canada. FEI's CCT formulates policy positions regarding treasury matters for FEI in line with the views of the membership and when appropriate, works to educate relevant policymakers and regulators on issues impacting corporate treasurers.

Many corporate treasurers rely on money market funds for cash management purposes and investment. Businesses issue commercial paper to meet short-term financing needs such as funding payroll, replenishing inventories, and financing expansion, and money market funds have been major, reliable buyers of those securities. In fact, today money market funds purchase more than one-third of the commercial paper issued by American businesses.

While policymakers have made progress since the financial crisis in making money market funds a stronger tool for investment, we are concerned with recent comments by some regulators and policymakers who would seek to eliminate these funds' stable NAV, or \$1.00 per-share price, and move to a floating NAV.

As one corporate treasurer stated during the recent U.S. Securities and Exchange Commission Money Market Funds and Systemic Risk Roundtable on May 10, corporate treasurers use money market funds as a diversification tool and are not financial institutions running investment houses. Therefore, company systems are not geared to mark-to-market on a daily basis and will have to pull out of money market funds if a floating NAV is adopted.

Floating the NAV may drive up the cost of doing business for many companies. This change could undermine the convenience and simplicity of using money market funds for cash management and instead confront businesses with new tax, accounting, and legal hurdles. To add concern to these proposals is that there are few immediate substitutes to fill the financing role money markets play.

Mandating a floating NAV would make short-term financing for American business less efficient and far more costly, ensuring a severe setback for a soft economy still rebuilding from the recent recession. We support maintaining the ability of money market funds to offer a stable \$1.00 per-share value. We thank the Subcommittee for holding this hearing and for the work it is doing to address these issues.

Sincerely,

A handwritten signature in cursive script that reads "S.M. Stalnecker".

Susan Stalnecker
Chair
FEI's Committee on Corporate Treasury