



# National Association of Corporate Treasurers

*Treasurers Talking to Treasurers*

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## Statement of the National Association of Corporate Treasurers on The Subcommittee on Capital Markets and Government Sponsored Enterprises Oversight Hearing on Issues in the Mutual Fund Industry

The National Association of Corporate Treasurers has approximately 230 members who manage the treasury function at some of America's leading corporations. Our members represent companies comprising different industries such as manufacturing, transportation, finance and service, with many included in the Fortune 500 index of largest corporations. Corporate cash management, both the investment of surplus cash and the borrowing of short term cash for funding needs, is an important daily activity for our corporate treasurers. Many of them rely on money market funds to meet these daily cash management requirements.

NACT is pleased that the Subcommittee is holding this hearing to explore the issues facing mutual funds and their investors. We wish to register the concerns of our membership regarding proposed changes to the structure of money market funds, particularly our strong opposition to proposals that would force these funds to abandon their stable \$1.00 per-share price and instead "float" their net asset values (NAVs).

Our members rely upon money market funds as powerful tools for managing cash. Since the financial crisis of 2007-2009, policymakers have made great progress in making money market funds even stronger. A few regulators and commentators, however, continue to advocate changes that would undermine the economic and investor benefits of money market funds by eliminating the stable \$1.00 per-share price.

In our view, forcing money market funds to float their NAVs would harm investors, companies our members serve, and the broader U.S. economy. We thus strongly support maintaining the ability of money market funds to offer a stable \$1.00 per-share value.

For investors, the stable NAV provides vital benefits. As managers of corporate cash, NACT members purchase and redeem millions of dollars in money market fund shares every day. With a stable NAV, typically set at \$1.00 per share, corporations are relieved of the burden of tracking gains or losses for tax or financial accounting purposes.

To force floating NAVs would take away these benefits while risking the following negative effects:

- **Driving up the cost of doing business.** Businesses and other institutions use money market funds to hold excess cash for short periods of time. Floating the NAV would undermine the convenience and simplicity of using money market funds for cash management by confronting businesses with new tax, accounting, and legal hurdles. The consequences of such a move would increase costs to companies in our NACT membership.
- **Increasing the cost of financing.** Money market funds hold more than one-third of the commercial paper that businesses use to meet short-term obligations, such as funding payrolls, replenishing inventories, and financing expansion. If proposed reforms drive investors out of money market funds, the flow of short-term capital to investment grade companies will be significantly disrupted. The spillover from that disruption could affect other companies that rely upon bank and other sources of financing.
- **Creating a financing gap.** Few immediate substitutes are available to fill the financing gap that would be created by a rapid shrinkage of money market funds. Even if banks could raise the new capital needed to meet corporate and municipal demand, the lending market would be less efficient and costs would rise. Alternative funds are less regulated, less secure, and less liquid.

To avoid these negative consequences, we believe that any further reforms for money market funds must preserve their fundamental features. As Treasury Secretary Timothy Geithner recently noted, any further changes to money market funds must be made “without depriving the economy of the broader benefits that those funds provide.”

Forcing the adoption of floating NAVs for money market funds would destroy many economic benefits. We therefore oppose any proposals that would change the stable \$1.00 value of money market funds.

If you would like further information on NACT’s views, please contact current Board member and former NACT Chairman, Brad Fox at [brad.fox@safeway.com](mailto:brad.fox@safeway.com) or 925-467-3352. Additional information about NACT is available at [www.nact.org](http://www.nact.org).

NACT thanks the Subcommittee for holding this hearing and for the work it is doing to address these issues.