The Business Council

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Acting - President & CEO

June 14, 2011

The Honorable Scott Garrett
Chairman
House Financial Services Subcommittee
on Capital Markets and Government-
Sponsored Enterprises
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Subcommittee
on Capital Markets and Government-
Sponsored Enterprises
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Garrett and Ranking Member Waters:

On behalf of The Business Council of New York State, a statewide business trade organization representing over 3,000 members in all sectors of our state's economy, we are pleased that the House Subcommittee on Capital Markets is holding a hearing to explore the issues facing mutual funds and their investors. We know you understand that with over 500,000 businesses in New York State, the Subcommittee's actions in this regard will have a serious impact across New York State and ask that you consider this impact as the committee conducts its due diligence.

The Business Council wishes to register our concerns 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). As way of reference, we also took the opportunity to share our concerns with the SEC in January (see attached).

Our members rely upon money market funds as powerful tools for managing cash. Since the financial crisis, policymakers have made great progress in making money market funds even stronger. Some, 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, businesses, 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. Investors purchase and redeem millions of dollars in money market fund shares every day. With a stable

NAV, typically set at $1.00 per share, those investors 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:

- **Hobbling cash management**. Many of our members operate under investment constraints that require keeping cash balances in accounts or products with stable principal value. If money market funds were required to float their NAVs, businesses would simply no longer use these funds to manage cash. Alternative funds are less regulated, less secure, and less liquid.

- **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 and affect all sectors of the U.S. economy.

- **Increasing the cost of financing.** Money market funds hold more than one-third of the commercial paper that businesses use to meet short-term obligation, 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 businesses will be significantly disrupted.

- **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. Forcing the adoption of floating NAVs for money market funds would not add resilience, and it would destroy many economic benefits.

The Business Council of New York State, therefore, opposes any proposals that would change the stable $1.00 value of money market funds.

We thank the Subcommittee for holding this hearing and ask that you consider the significant impact moving to a floating NAV would have, as the committee continues its work.

Sincerely,

Heather C Briccetti

Copy: Chairman Spencer Bachus and Ranking Member Barney Frank
Enclosure