CCAP COUNTY COMMISSIONERS™ ASSOCIATION OF PENNSYLVANIA
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July 10, 2012

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

Dear Chairwoman Schapiro:

CCAP represents Pennsylvania's 67 counties and is particularly interested in the issue of money market mutual funds (MMMF), due to our role as investors in these products, as well as issuers of municipal securities which are purchased by these funds. While we support initiatives that both strengthen money market funds and that ensure investors are investing in high-quality securities, we would like to voice concerns about suggested changes to the structure of these funds, especially any changes from a stable to a floating net asset value (NAV).

As investors, many state and local governments look to MMMFs as part of their cash management practice. In the Government Finance Officers Association's Best Practice, "Using Mutual Funds for Cash Management Purposes," governments are encouraged to look to money market mutual funds for short-and medium-term investments, with appropriate cautions. One of the critical reasons for this recommendation is the fixed NAV feature found in these products. In fact, many governments have specific policies that mandate that they invest in products with stable values, and money market funds are thus used for their short-term investments due to the fixed NAV. Furthermore, MMMFs are a popular cash management tool because they are highly regulated, have minimal risk, and are easily booked.

Additionally, changing the fundamental feature of MMMFs from a fixed NAV to a floating NAV would dampen investor demand for the securities state and local governments offer and deprive them of much-needed and cost-efficient capital. Money Market Mutual Funds are the largest investor in short-term municipal bonds, holding 74% of all outstanding short-term bonds equaling nearly $454 billion.[i] Creating a marketplace where the NAV changes from fixed to floating would make MMMFs far less attractive to investors, thereby limiting the ability of money market mutual funds to purchase municipal securities. Losing this vital investing power could lead to higher debt issuance costs for many state and local governments and authorities across the country.

In 2010, the SEC reinforced the regulations covering money market mutual funds. We believe that further regulations involving the adoption of a floating NAV, would cause many of our members to divest a significant percentage of their investments in these funds. Our members would then have to look at other products that, in turn, could be more susceptible to market conditions, more difficult to account for and manage, more likely to pose greater market risks, and more expensive, increasing the costs and fees associated with investing.

To avoid these negative consequences, we believe that any money market fund reforms must not allow for a change in the fundamental stable net asset value feature.

Thank you for considering our concerns.

Sincerely,

Adrienne C. Hodson
Government Relations Specialist