January 4, 2013

The Honorable Timothy F. Geithner
Secretary
U.S. Department of Treasury
Chairman
Financial Stability Oversight Council
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

The Allegheny Conference on Community Development and its affiliates – the Greater Pittsburgh Chamber of Commerce, the Pennsylvania Economy League of Greater Pittsburgh, and the Pittsburgh Regional Alliance – work in collaboration with public and private sector partners to stimulate economic growth and enhance the quality of life in the Pittsburgh region. To this end, we advocate for policies that will foster growth in our region. We write to you today to urge the Financial Stability Oversight Council (FSOC) not to move forward with the proposed rule changes to Money Market Mutual Funds (MMFs), specifically 2a-7. The proposed changes would hamper economic growth in our region, while also making routine transactions more burdensome and expensive for our local governments.

Many of the proposed changes outlined in the letter to your fellow Council members in September—such as a floating net asset value (NAV) and “minimum balance at risk” redemption holdbacks—are the same proposals that the SEC recently resisted. The SEC realizes that the proposals would fundamentally alter MMFs while harming the ability of many organizations we represent to finance basic operations. We write to you today to affirm our agreement with the SEC’s rejection of these rule changes and to ask that they remain the acting authority on this matter.

For colleges and universities, charities, and other nonprofit organizations, MMFs are a preferred vehicle for cash management. Many nonprofit institutions are required, by law or by investment policy, to invest cash only in products offering a stable value. Should money market funds be forced to adopt a floating net asset value, many nonprofits and institutions could be forced to shift to less secure cash products or to bank products that have historically paid lower yields. Stability, convenience, and liquidity—including the stable share price and ability to access 100 percent of their money—are what draw investors to MMFs. Removing these features would drive investors away and impair a critical source of financing for both the private and public sectors. For institutions dependent on public funding, the shrinkage in MMFs would result in higher financing costs and reduced resources for their mission.

The strict risk-limiting regulation and prudent professional management of MMFs have produced a record of stability for 40 years. Additionally, following the 2008 financial crisis, the SEC amended Rule 2a-7 to further reduce the susceptibility of MMFs to many of the problems seen during the crisis. These new regulations have made these funds stronger and more resilient since the financial crisis. The Obama administration has already implemented some of the tightest financial regulations in the world, but the proposed MMF changes would dramatically change the utility of the funds while also hampering economic growth. As the regional economic development organization in the Pittsburgh region, the Allegheny Conference speaks on behalf of our region's business, civic and public institutions in urging the FSOC to respect the decision of the SEC and to not move forward with any proposed changes regarding MMFs.

Thank you for your time and consideration of our comments.

Sincerely,

Dennis Yablonsky
CEO, Allegheny Conference on Community Development

Barbara McNees
President, Greater Pittsburgh Chamber of Commerce

CC:

Sen. Patrick Toomey
Sen. Robert Casey
Rep. Bill Shuster
Rep. Mike Kelly
Rep. Mike Doyle
Rep. Keith Rothfus
Rep. Tim Murphy