EXPRESSING OPPOSITION TO THE SECURITIES AND EXCHANGE COMMISSION PROPOSED CHANGES IN NET ASSET VALUE RULES FOR MONEY MARKET MUTUAL FUNDS

WHEREAS, the Securities and Exchange Commission has proposed additional changes to SEC Rule 2a-7 above and beyond the comprehensive amendments adopted in January 2010 to strengthen money market funds and ensure investors are investing in high-quality securities; and

WHEREAS, because of the enhanced liquidity and transparence fostered by the comprehensive amendments adopted in 2010, these changes appear to have help MMMFs endure recent periods of market turbulence without incident or systemic risk; and

WHEREAS, while state and local governments are supportive of changes that will strengthen the market and improve the quality of securities, some of the additional changes being discussed would undermine the value and utility of Money Market Mutual Funds as well as the municipal bond market; and

WHEREAS, one of the modifications being discussed is changing the stable net asset value (NAV), which is the hallmark of money market mutual funds (MMMF), to a floating net asset value that would be very harmful to state and local governments; and

WHEREAS, forcing funds to float their value would likely eliminate the market for those products by forcing investors, including state and local governments, to divest their MMMF holdings as well as discourage others from using these funds; and

WHEREAS, many state and local governments look to MMMF as an integral part of their cash management practice because they are highly regulated, have minimal risk and are easily booked; and

WHEREAS, in the fourth quarter of 2012, state and local governments held $119 billion in MMMFs; and

WHEREAS, many state and local governments have specific policies or statutes that mandate investing in financial products with stable values, and MMMFs are the investment they use to ensure compliance with these policies and statutes; and

WHEREAS, MMMFs are also related to the municipal bond market in that in the fourth quarter of 2012 they were the largest investor in short-term municipal bonds (with $322 billion in short-term municipal debt securities, which accounts for 76% all outstanding short-term municipal debt),

WHEREAS, changing net asset value from fixed to floating would make MMMFs far less attractive to investors and have an extremely disruptive effect on the investing market as well as the municipal bond market, which could ultimately cost state and local governments millions of more dollars as the would be forced to turn to more costly – and/or more risky – investments as well as face higher costs for issuing debt due to shrinking demand for the market, and

NOW THEREFORE BE IT RESOLVED, that The United States Conference of Mayors strongly urges the Securities and Exchange Commission not to make changes to the NAV or any further regulatory changes that would disrupt the existing structure of and characteristics of MMMFs and limit choices for state and local governments businesses and other investors, with far reaching consequences for the American economy.

Projected Cost: Unknown