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Edward J. Zabrocki
Mayor, Village of Tinley Park
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Karen Darch
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Mayor, City of Aurora
Executive Board Secretary

Rahm Emanuel
Mayor, City of Chicago
Founding Member City

March 28, 2012

The Honorable Mary L. Schapiro, Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: SEC Proposed Changes to Money Market Mutual Funds

Dear Chairman Schapiro:

The Member Mayors of the Metropolitan Mayors Caucus, representing 273 municipalities in the Chicago metropolitan area, are alarmed by recent reports that the Securities and Exchange Commission (SEC) may alter the nature of money market mutual funds (MMMF) and eliminate or impede the ability of state and local governments to invest in them. We are also concerned as issuers of municipal securities that such reported changes would dampen investor demand for the bonds we offer, thus increasing costs of state and local governments that need to raise capital for the vital infrastructure and services we provide our citizens. We question why the SEC would want to consider such changes given the current economy. As the nation is starting to slowly recover from the recent recession, we believe that SEC should be exploring initiatives that would strengthen, not weaken MMMFs and ensure investors are investing in high-quality securities.

The possibility of changing the stable net asset value (NAV) – to a *floating* NAV greatly concerns us. Such a move would be very harmful to state and local governments and the entire MMMF market.

As investors, many state and local governments look to MMMFs as an integral part of their cash management practices. In the third quarter of 2011, state and local governments across the country held $86 billion in MMMFs. Many governments are required by statute to invest in financial products which bear less risk and have stable values. Money market funds are the investments used to ensure compliance with these state and local laws.

MMMFs are a popular cash management tool because they are highly regulated, have minimal risk, and are easily booked. If the SEC were to adopt a floating NAV for them, that would make them more susceptible to market risk and more difficult to account for and manage. In addition, state and local governments would be forced to look at other investment instruments which have greater risk and do not provide them with the same transparency and comprehensive regulatory protections as MMMFs.

In addition to their important investment purpose, money market funds also are related to the municipal bond market. MMMFs are the largest investor in short-term municipal bonds. They currently hold $288 billion or 57 percent of all outstanding short-term municipal debt. Changing the NAV from stable to floating would make MMMFs far less attractive to investors, thereby limiting the ability of money market funds to purchase municipal securities. Such a decrease in demand would lead to higher debt issuance costs for many state and local governments.

Changing the stable NAV of money market mutual funds to a floating NAV will be extremely disruptive for state and local governments. It ultimately will cost them millions of dollars because they would have to turn to more costly and more risky alternative investments and they will incur higher costs for issuing debt due to shrinking demand for the market. We respectfully urge you and the other members of the Commission to carefully weigh these negative effects and refrain from making this change.

Sincerely,

Edward J. Zabrocki
Executive Board Chairman
and Mayor, Village of Tinley Park, Illinois