

JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer

November 15, 2011

Securities and Exchange Commission
SEC Headquarters
100 F Street, NE
Washington, DC 20549:

Dear SEC Commissioners:

In the aftermath of the tumultuous market events of 2008, the Securities and Exchange Commission (SEC) made important revisions to Rule 2a-7 to strengthen the regulatory framework, increase transparency for investors, tighten restrictions on weighted average maturity and credit quality, and to introduce a weighted average life restriction and liquidity guidelines. These positive revisions bolstered the safety of critical elements of the cash management and short-term investing for corporations, individuals, fund managers and governmental entities.

A key component of the value of 2a-7 funds for cash managers in the public and private sector is their ability to safely operate using a stable net asset value (NAV) – and I applaud your recent changes to Rule 2a-7 that strengthen this ability. However, I am concerned that some proposals you have put forth are unnecessary, go too far, and threaten the existence of a critical investment option for cash managers – specifically, recommendations to force 2a-7 funds to operate on a floating NAV basis.

Over 40 states operate local government investment pools (LGIP) and a vast majority of those pools, including the State of Washington's LGIP, are operated in a 2a-7-like manner. There are two primary reasons for operating in conformity with Rule 2a-7, even though we are not subject to SEC regulation. First and foremost is that Rule 2a-7 provides a solid investment framework with which to safely operate an LGIP that offers 100% liquidity to participants on a daily basis and does so with a stable NAV. Secondly, is that if an LGIP operates outside Rule 2a-7, the Governmental Accounting Standards Board (GASB) dictates that it must report to each participant their share of any unrealized gains or losses and that participants must report these gains or losses on their balance sheets. This is not an acceptable option for most governmental entities – nor is operating on a variable NAV basis.

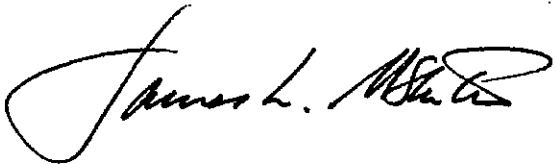
During the 2008-09 financial crisis, local government deposits in our LGIP increased by over 50 percent as public deposit collateral requirements were increased, several local banks failed and local governments sought safety, security and modest returns for their uninsured public funds. Many local communities and special districts lack the financial management and accounting resources to properly equip them to invest in floating NAV funds. If our \$10 billion LGIP fund is forced to operate on a variable NAV basis, many of these local governments will end up once again chasing yields amongst community



banks or be forced to park their money in noninterest-bearing accounts. This would truly do a disservice to many struggling local governments by leaving them without access to safely managed investment resources.

Please reconsider your proposal to require 2a-7-like investment pools to operate on a floating NAV basis, and find a way to preserve stable short term investment options in conservatively managed funds.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. McIntire". The signature is fluid and cursive, with a large initial "J" and a stylized "M".

James L. McIntire
Washington State Treasurer

Cc: Systemic Resolution Advisory Committee, Washington Congressional Delegation, State Treasurers