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# CENTER FOR CAPITAL MARKETS COMPETITIVENESS

OF THE

UNITED STATES CHAMBER OF COMMERCE

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November 17, 2011

The Honorable Mary Schapiro
Chairman
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Dear Chairman Schapiro:

The U.S. Chamber of Commerce ("Chamber") is the world's largest business federation representing the interests of over three million companies of every size, sector, and region. The Chamber created the Center for Capital Markets Competitiveness ("CCMC") to promote a modern and effective regulatory structure for capital markets to drive economic growth and job creation.

In your remarks at the Securities Industry Financial Markets Association annual meeting on November 7th you indicated that the Securities and Exchange Commission (the "Commission") is quickly moving forward with potentially fundamental and structural changes to money market fund regulation. We are deeply concerned that the potential changes will have far reaching implications on the ability of the business community to continue to rely on short-term financing and liquidity management from money market funds at what remains a very precarious period in our nation's economic recovery. Therefore, we urge the Commission to proceed with extreme caution on both the nature and timing of any proposed changes.

We strongly urge the Commission not to move forward with changes to the character and utility of the money market mutual funds without first conducting a thorough analysis to understand the operational and economic impact on American businesses and the broader capital markets. You should examine the impact on the investment decisions of both retail and commercial investors and the resulting implications on the ability of money funds to finance the commercial paper market. And, you should examine the resulting usefulness of the product for the thousands of companies that use money funds to manage their short-term liquidity needs.

Money market funds play a critical role in the U.S. economy because they work well in their current structure to serve the investment, cash management, and short-term funding needs of businesses across America. Corporate treasurers rely on money market funds to efficiently and affordably manage liquidity. Money market funds provide a liquid, stable value investment with an reasonable rate of return More importantly, money market funds represent a major source of funding to the $1.1 trillion commercial paper market, allowing businesses to meet their daily working capital needs. Without the efficiency and affordability of money market funds, businesses will be forced to slow – or altogether cease – expansion and hiring during a time when the nation is struggling to emerge from an economic downturn.

Each of the proposals being considered—including the floating net asset value, capital buffer, and mandatory redemption restrictions—fundamentally alters the characteristics of money market funds. Implementing reforms that fundamentally alter this product without adequately defining the specific problem the Commission is seeking to address and without fully considering the economic impact of proposed solutions to the broader capital markets is misguided and counter-productive. Given the current state of the American economy, and in light of all the other regulatory changes underway , including the previously adopted SEC reforms on money market funds, this is not a time for "just in case" reforms that have not been adequately analyzed.

For example, some have suggested that the need for futher reforms is driven by the potential for runs on smaller money market funds that could cascade to the broader market. Before the Commission embarks further down the road of regulatory reform, the Commission should analyze the performance of all 2a-7 funds since the implementation of amendments to Rule 2a-7 in February 2010, to determine if there is any actual evidence of systemic risk for smaller funds, larger funds or the entire industry. If the Commission determines that this risk exists, it should focus on reforms that target only areas where this demonstrated risk remains rather that than applying wholesale changes to the entire fund industry.

The CCMC continues to support the Commission's amendments to Rule 2a-7 implemented in February 2010, that helped preserve and strengthen this vital source of business financing. Ongoing volatility in the financial markets put the new regulatory framework to the test almost immediately, and the enhanced structure proved to withstand turmoil in the credit markets and severe redemption pressure. Confidence in money market funds was bolstered, and these funds continued to provide a safe haven for investors during the extraordinary political and market events of 2011.

As such, we believe that additional wholesale reforms to money market funds are unnecessary. Proceeding with changes to money market fund regulation that has proven to work may lead to a significant disruption in the capital markets that will result in dire consequences for end users of money market funds and the overall economy. Before the Commission moves forwards with proposing the potential reforms you have outlined, we urge you to conduct a thorough economic impact analysis, examining the costs and benefits to all stakeholders, to ensure that any regulatory changes proposed meet the Commission's statutory responsibility to promote efficiency, competition, and capital formation. Failure to focus adequately on all these mandatory regulatory goals threatens the availability and utility of this critical source of investing and financing.

We appreciate the opportunity to continue working with the Commission, and we would be glad to discuss our concerns in more detail.

Sincerely,

David Hirschmann