ES140956

Northern Kentucky
Chamber of Commerce

January 20, 2012

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

Dear Chairman Schapiro:

The Northern Kentucky Chamber of Commerce represents a diverse range of companies, organizations, and industries totaling more than 2,000 member businesses which employ more than 250,000 dedicated workers. Those in our membership rely on money market mutual funds to support our capital raising and investment needs. We strongly believe current rules governing money market funds strike the right balance, ensuring conservative operation and liquidity while fulfilling the cash management needs of businesses across the country. As such, we urge regulators to avoid making additional regulatory changes that would fundamentally alter the nature of money market funds, undermining their usefulness to businesses as a source of short-term investing and financing.

Reliable Investments

Money market funds are a crucial instrument for businesses' daily cash management and the efficient operation of the U.S. economy. Throughout their 40-year history—a period which saw countless bank failures and substantial losses in other investment vehicles—money market funds have provided investors a variety of benefits, including enhanced diversification, robust credit analysis, high-quality, short-term assets, and preservation of capital. Moreover, money market funds provide significant administrative efficiencies and accounting and tax simplicity because of the stable $1.00 per share value.

Efficient Marketplace for Short-Term Financing

Money market funds play a vital role in providing short-term funding not only to corporations, but also state and local governments and financial institutions. Many businesses issue commercial paper to meet critical short-term financing needs such as replenishing inventories and financing expansion. Money market funds are major

Leading Businesses. Leading Communities.

www.nkychamber.com
300 Buttermilk Pike, Suite 330
P.O. Box 17416
Ft. Mitchell, KY 41017

859.578.8800
859.578.8802 fax

buyers or outlets for such commercial paper and other short-term instruments such as variable rate notes and tax anticipation notes.

As such, money market funds are a vital part of the short-term liquidity marketplace, the backbone which supplies essential working capital to U.S. businesses. In fact, money market funds purchase *more than one third* of the commercial paper issued by American businesses each year. Anything that reduces the attractiveness of money market funds as an investment vehicle for business also reduces the role these funds can play as a source of short-term working capital for the economy. Said differently, *if new regulations cause money market fund assets to decline, the decline will also be seen in money market fund purchases of commercial paper and short-term instruments that are so vital in funding U.S. companies, municipalities, and state governments.*

Risks of Increased Regulation

The 2010 revisions to SEC Rule 2a-7 have succeeded in strengthening money market funds' ability to withstand turmoil in the markets. However, additional changes to money market funds, such as moving to a floating NAV or adding a capital buffer, would almost certainly lessen the viability and attractiveness of these funds. With money market funds as less attractive investment options, businesses may find moving funds offshore or to other less-regulated products as alternatives—which is hardly consistent with efforts to reduce risk, increase market transparency and ensure greater market stability. For borrowers, these changes would diminish the market demand for commercial paper, reducing the availability of short-term financing for businesses to meet critical short-term funding needs. A constricted commercial paper market would also translate into significantly higher costs of short-term financing, assuming that such financing would even remain available.

Conclusion

Money market funds are a vital cash management tool for businesses and are part of the foundational fabric of the short-term cash marketplace. We firmly believe existing regulations ensure the continued stability and viability of money market funds, and that additional regulatory options being considered will have dramatic negative consequences on American businesses' ability to raise the capital necessary to restore economic stability and job creation. Therefore, we strongly urge you to thoroughly evaluate the impact of additional regulation on American businesses and the broader economy and ensure that money market funds maintain their current utility before moving forward with any regulatory changes.

Sincerely,

Steve Stevens, CCE
President
Northern Kentucky Chamber of Commerce

cc: Elisse B. Walter
Luis A. Aguilar
Troy A. Paredes
Daniel M. Gallagher