Association for Financial Professionals®

April 4, 2012

The Honorable Mary L. Shapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Submitted via Email to: **rule-comments@sec.gov**

Dear Chairman Shapiro:

On behalf of the Association for Financial Professionals (AFP) and the undersigned companies, we are writing to provide and members of the Commission with our thoughts on an option currently being discussed relating to money market reforms. Our group of corporate treasurers and financial professionals fully support amending the current rules governing money market funds (MMFs) in a manner that encourages clear and concise transparency that not only protects investors, but provides them with the necessary information needed to make the most sound and practical investment decisions for their organizations. As such, we have concerns regarding one option to eliminate the stable net asset value (NAV) in favor of a floating NAV.

The signees of this letter represent a broad spectrum of financial disciplines, and their organizations represent a wide variety of industries. These professionals are responsible for directing the investment of corporate cash and pension assets for their organizations, and are charged with considering action on all available investment alternatives to protect principal, ensure liquidity, and prudently maximize returns. Financial professionals are unique in that they are responsible for observing business conditions that affect their organizations and making assumptions on how those conditions will change in both the short and intermediate term. They must also make critical business decisions—including those concerning corporate borrowing and business investment—based on those observations and assumptions.

Our group recognizes that concerns about the liquidity of MMFs played a role in exacerbating the financial crisis that began in September 2008. As a result, we are largely supportive of rules already enacted by the Securities and Exchange Commission (SEC) to improve the liquidity and transparency of MMFs. The impact of many of these rules, including the monthly reporting of each fund's shadow NAV, has not yet been fully felt in the market. We believe that these new rules instituted significant changes that will, on their own, substantially reduce the liquidity concerns and systemic risks posed by MMFs.

We oppose the proposal to eliminate the stable NAV in favor of a floating NAV, as we believe it would greatly reduce investors' interest in utilizing MMFs as a cash management and investment tool, whether applied to all investors or just institutional investors. For purchasers of MMFs, the return *of* principal is a much greater driver of the investment decision than return *on* principal. For a large number of institutional investors, the potential of principal loss would preclude investing in floating NAV MMFs.

American businesses make their investment decisions based on many factors unique to their organizations. In many instances, MMFs are the vehicle that most closely match the risk/return profile sought for surplus operating cash, as specified by a written investment policy. Changing to a floating NAV would significantly change the risk/return profile of MMFs.

Moving to a floating NAV would have implications on the balance sheets of organizations, according to many financial professionals. MMFs are currently treated as cash equivalents for accounting purposes because they are readily convertible to a known amount of cash. If corporations report balances of MMFs that use a floating NAV, those corporations will no longer be permitted to treat their investments as cash equivalents.

Due to these changes to the risk/return profile of MMFs, and the accounting treatment of these instruments, many corporate investors will either be precluded from investing in MMFs, or will be required to modify their investment policies to allow for the flexibility to invest in instruments that fluctuate in value. Expanding permissible investments to allow for principal fluctuation may result in increased risk in corporate investment portfolios, as financial professionals could potentially be authorized to pursue other highly liquid, but riskier short-term investments, such as enhanced cash funds and short-term bond funds. More likely, organizations will choose to abandon MMFs as viable investment options.

The move to a floating NAV would also create significant disruptions in the corporate funding market. Many organizations issue commercial paper to meet their short-term financing needs, such as funding payroll, replenishing inventories, and financing expansion. Since the mid-1980s, MMFs have been major, reliable buyers of those securities and today purchase more than one-third of the commercial paper issued by American businesses. Should regulators eliminate the stable NAV on MMFs, some corporate investors will be forced to walk away due to mandatory investment guidelines that require a stable per-share value. The resulting reduction in MMF balances would reduce the capital available to purchase commercial paper, making short-term financing for these businesses less efficient and more costly.

We appreciate the opportunity to provide our thoughts on this topic. If you have any questions about our comments or would like to speak with any individual signer listed below, please contact AFP's Jeff Glenzer, Managing Director, at [redacted] or [redacted]

Sincerely,

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