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City and County of Denver

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

Dear Chairman Schapiro:

As partners in developing and maintaining strong local economies, municipal and business leaders share a deep interest in issues surrounding regulation of money market mutual funds (MMMFs).

Local governments and businesses are both users of MMMFs and issuers of securities purchased by these funds. We are very concerned to hear that the Securities and Exchange Commission (SEC) is seeking fundamental changes to MMMFs that would render them unappealing to many investors and undermine their role as a vital source of financing to our communities. While we support initiatives that strengthen MMMFs, we urge the SEC to refrain from damaging the value and utility of these funds.

As investors, many municipalities and businesses rely upon MMMFs as cash management tools that provide preservation of capital, daily liquidity at par, enhanced diversification among high-quality short-term assets, robust credit analysis, and administrative efficiencies. The fixed $1.00 price per share is a hallmark feature of MMMFs that allow companies and municipalities to invest within approved investment guidelines. Moreover, the ability to invest and redeem shares frequently without fee or restriction allows companies and municipalities to manage liquidity efficiently.

Forcing MMMFs to move to a floating net asset value (floating NAV) or imposing redemption restrictions on fund investors would push both individual and institutional investors—including municipalities and businesses—away from MMMFs and into alternative investment vehicles, with harmful results.

First, the cash management alternatives that municipalities, businesses, and other investors could turn to are likely to be more difficult to account for and manage, more likely to pose greater market risks, and be more expensive. Taxpayers, workers and consumers will bear those added costs and risks.

Second, reducing the capital pool of MMMFs could dampen demand for the short-term debt securities that municipalities and companies offer, disrupting the flow of much-needed capital. MMMFs are the

largest investor in short-term municipal bonds, holding 74 percent of all outstanding short-term bonds equaling nearly $337 billion, and purchase almost 40 percent of outstanding corporate commercial paper. Losing this vital investing power could increase the cost of debt issuance for many businesses and municipalities across the country, damaging an already-fragile economy.

We firmly believe that existing regulations, as enhanced by the Commission in 2010, disrupt the existing structure and characteristics of these funds, limit choices for municipalities and businesses, and risk the health of local communities. We urge the SEC to refrain from any further regulatory changes that would adversely impact the American economy.

We thank you for your consideration.

Sincerely,

Michael B. Hancock
Mayor
City and County of Denver