The Independent Trustees
The North Carolina Capital Management Trust
c/o Fidelity Investments
82 Devonshire Street
Boston, Massachusetts 02109

September 17, 2013

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Comments on Proposed Money Market Fund Reform; Amendments to Form PF (File No. S7-03-13)

Dear Ms. Murphy:

The Independent Trustees of the Board of Trustees of North Carolina Capital Management Trust (the "Trust") appreciate the opportunity to comment on the money market fund reforms proposed by the Securities and Exchange Commission ("SEC").

The Trust is a registered investment company that consists of two portfolios, one of which, the Cash Portfolio, is a money market mutual fund that operates in accordance with Rule 2a-7. Shares of the Trust are offered exclusively to local governments and public authorities of the State of North Carolina. The Trust, which is managed by Fidelity Management & Research Company and certain of its affiliates, was established in 1982 pursuant to legislation enacted by the North Carolina General Assembly that authorized the establishment of a mutual fund for local government investment. This legislation responded to concerns by state and local government officials that local units of government were not earning sufficient returns on their temporarily idle funds. The Trust was designed to provide such governmental units with an investment vehicle that combined low risk with high liquidity. As of July 31, 2013, the Cash Portfolio's net assets were approximately $3.2 billion.

The Independent Trustees believe that the combination of the current federal and state laws offer sufficient protections for money market funds like the Cash Portfolio that are used for local government investments. The SEC's 2010 amendments to Rule 2a-7 were effective in increasing the resilience of money market funds by imposing greater limitations on fund maturity, liquidity, and quality, as well as new requirements on fund disclosure, operations, and oversight. When coupled with the North Carolina state investment statute that severely restricts eligible investments to only the most highly-rated, Rule 2a-7 provides appropriate regulatory controls to protect the Cash Portfolio and its shareholders. In fact, during the 2008 financial crisis, the combination of these regulations helped to prevent the Cash Portfolio from gaining exposure to those securities that caused problems in other parts of the industry.

We support the SEC's goal of preventing significant redemptions in money market funds during times of market stress. However, we disagree with any proposed alternatives that would change the fundamental structure of money market funds, especially a conservatively managed fund such as the Cash Portfolio.

I. Floating Net Asset Value

One of the SEC's proposed structural reforms would eliminate the ability of money market funds to maintain a stable share price. The Independent Trustees strongly oppose the concept of introducing a floating net asset value per share for money market mutual funds. We believe that the availability of a stable share price is an attractive feature of the Cash Portfolio for North Carolina local governments and agencies. For shareholders interested in a floating net asset value product, the Trust offers a short-term bond fund. There is no appetite among these shareholders for another floating net asset value fund. Based on regular discussions with the local governments and agencies that invest in the Cash Portfolio, we believe that investors in the Cash Portfolio understand that investment in a money market fund is not free from risk and are willing to accept that risk.

A floating net asset value would impose a variety of burdens on the Cash Portfolio's shareholders. As the SEC recognizes in its proposal, a stable net asset value per share creates certain administrative, tax and cash management "conveniences" for fund investors. However, we view a stable net asset value per share as more than just a convenience for our shareholders. This feature is critical to our shareholders' ability to manage their cash. We believe that it is unlikely that a government official would select the Cash Portfolio as an investment option if it could reasonably be expected that its share price would fluctuate from day to day, resulting in "artificial" gains or losses, even if it was highly likely that the investment would be profitable over the medium or long term. The frequency of share price changes would be magnified by a four decimal point NAV, which would be even more problematic for shareholders. It would not be worth the trouble of attempting to track the precise amount available for redemption from day to day or the practical aspects of having to explain apparent losses to elected officials or taxpayers. The SEC suggests that the Internal Revenue Service and Treasury Department may consider extending certain exemptions from these requirements for floating net asset value money market funds. However, absent definitive guidance and assurance to this effect, we do not believe that a floating net asset value product is a viable option for Cash Portfolio investors.

We recognize that the SEC proposes an exemption from the floating net asset value alternative for funds that meet its definition of a "retail" fund. However, local government investment pools like the Cash Portfolio would not be able to take advantage of this exemption because a $1 million daily limit is not feasible for the Cash Portfolio's shareholders.

We also recognize that the SEC proposes an exemption for money market funds that maintain at least 80% of their assets in U.S. Government securities ("Government Funds").

Should the SEC adopt the floating NAV proposal, we agree that the proposal should not extend to Government Funds. However, the SEC should explore whether the 80% threshold can be reduced. As the prosing release points out, the 80% minimum is designed for determining the accuracy of a fund's name. We encourage the SEC to undertake an economic analysis to determine whether its objectives can be achieved with a reduced threshold (i.e., extending the exemption to funds that maintain at least 50% of their assets in U.S. Government securities).[1] Finally, we believe that, for purposes of the Government Funds exemption, securities issued by state and local governments should be included in the minimum government security investment threshold.

We also believe that the SEC should consider an additional exemption for money market funds that (i) limit their investors to state and local governments and (ii) are specifically authorized by the state government. In the case of the Cash Portfolio, the State of North Carolina has made a judgment that it is appropriate and prudent for state and local government entities to invest in a fund that is subject to the risk-limiting conditions imposed by Rule 2a-7 as well as additional limitations imposed by state statute. Given the nature of the investors in such a money market fund and the role of the state, we believe that the SEC's objectives would not be undercut by providing such an exemption from the floating NAV proposal.[2]

II. Standby Liquidity Fees and Redemption Gates

The SEC offers another alternative in its proposed reforms that would allow money market funds to preserve the stable $1.00 net asset value, provided that a fund's board has the discretion to impose certain redemption restrictions on the fund if weekly liquidity falls below 15%.

We strongly oppose this proposal. The municipal agencies that invest in the Cash Portfolio require immediate access to their funds in order to finance their daily operations. We believe that it is unlikely they will continue to view the Cash Portfolio as an acceptable investment alternative, given the heightened risk (however remote) that the cash they need to fund municipal operations might not be available for redemption for protracted periods of time,

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[1] We understand that an SEC staff study analyzed this issue with respect to a hypothetical portfolio that consisted of various percentages of U.S. Treasury securities and concluded that a money market fund that had a weighted average maturity of 60 days and held 50% of its assets in U.S. Treasury securities had a 0% chance of breaking a dollar. *See* Response to Questions Posed by Commissioners Aguilar, Paredes, and Gallagher, a report by staff of the Division of Risk, Strategy, and Financial Innovation (Nov. 30, 2012), available at http://www.sec.gov/news/studies/2012/money-market-funds-memo-2012.pdf at 29-30. We understand that this study did not reflect a portfolio that consisted of other types of U.S. Government securities. A new study could also analyze the impact of holding various percentages of high quality municipal securities.

[2] For similar reasons, we believe that such a fund should be exempt from the liquidity fee/gate proposal discussed below.

or that availability will be subject to a 2% haircut -- *under circumstances when the Portfolio has not "broken the buck."*[3] They likely will move their investments to an institution that does not appear to subject them to liquidity risk (even though such investments would not necessarily be risk free).[4]

III. Other Impacts of the Proposal on Local Governments in North Carolina

We are also concerned that the local governments that invest in the Trust would be impacted by this proposal in other ways. For example, we understand that many in the mutual fund industry are concerned that mandating a floating net asset value for money market funds would reduce investments in these types of funds generally, including municipal money market mutual funds. This could limit the availability of short-term funding for state and local governments in North Carolina or lead to higher interest rates and therefore borrowing costs. As the SEC recognizes in its proposed rules, money market mutual funds serve as a reliable source of direct, short-term financing for, among others, municipal issuers (including state and local governments as well as universities and hospitals). The decrease in investor demand for non-U.S. government money market mutual funds likely to result from moving to a floating net asset value would significantly limit the availability of this important short-term funding, which could have a negative impact on these entities, and ultimately, the local economies in the State of North Carolina. As business, political and philanthropic leaders in North Carolina, we are concerned about the impact of this proposal on the future prosperity and vitality of our communities in North Carolina. We suggest that the tax-exempt money market funds be exempted from the proposed floating net asset value requirement.

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We would like to thank the SEC for considering our comments. Please contact me or our counsel, Kenneth J. Berman (202-383-8050), should you have any questions regarding this letter.

Sincerely yours,

Thomas P. Hollowell

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[3] As noted above, we believe that investors in the Cash Portfolio understand that investing in a money market fund is not free from risk.

[4] Of course, liquidity risks may be present even if the investor places its assets in an FDIC-insured bank since the amount of the deposit would likely exceed the amount covered by FDIC insurance.

cc: The Honorable Mary Jo White, SEC Chair
The Honorable Luis A. Aguilar, SEC Commissioner
The Honorable Daniel M. Gallagher, SEC Commissioner
The Honorable Michael S. Piwowar, Commissioner
The Honorable Kara M. Stein, Commissioner

Norm Champ, Director, Division of Investment Management

Senator Richard M. Burr
Senator Kay R. Hagan