The Commonwealth of Massachusetts
Department of the State Treasurer
State House
Boston, Massachusetts 02133

Steven Grossman
Treasurer and Receiver General

September 17, 2013

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090.

RE: File Number S7-03-13 – Money Market Fund Regulation

Dear Ms. Murphy,

As Treasurer of the Commonwealth of Massachusetts, I am writing to oppose the Securities and Exchange Commission's (SEC) proposed money market regulations. They would have a significant negative effect on borrowing costs in the municipal fund marketplace. Moreover, "breaking the buck" – ending the traditional $1 per share price for money market funds –would shake investor confidence in the financial marketplace at a time when we are still struggling to recover from the worst financial crisis since the 1920s.

The SEC's 2010 amendments to money fund regulation, in the opinion of market analysts, have enhanced money funds' liquidity, credit quality and risk management while further enhancing the transparency of the funds. We do not see a need for additional regulations at this time.

The 2008 market collapse was an extraordinary event that required substantial intervention from the White House, Congress, the Federal Reserve, SEC and other agencies. Formulating long-term public policies on the basis of such an event does not strike us as a prudent course. In this case, the supposed "cure" could be much worse than the alleged "disease" from the perspective of the economy as well as the operations of state and local government.

Money market funds have been a low-cost vehicle for revenue anticipation borrowing.

As the SEC well knows, state and local governments are heavily dependent on short-term borrowing because while their expenditures are continuous, most revenues are received at specific intervals. Accordingly, the governments borrow against anticipated revenues to cover the gaps.

In September 2012, the Commonwealth sold $1.2 billion in revenue anticipation notes at record low borrowing costs below 9.7 basis points. In fact, during 2012 the Commonwealth and its municipalities sold over $3.5 billion in short term notes. This short term debt is used to provide capital for projects throughout the entire state, including school construction, transit projects, water and sewer treatment facilities and other vital public services.

The stable share price of money funds is a feature that makes them useful to us. The stable value of $1/share works with our manual and automated accounting and payment systems. Other investment alternatives, such as bank deposits and direct investment in money market instruments, are less efficient than money funds for our purposes. They are also far more difficult for us to manage, offer less diversification and involve potentially higher risks and lower net returns than money funds.

The Commonwealth of Massachusetts and other governmental entities have more than $9.5 billion invested in institutional prime money market type funds.

We use the income from our cash investments to help pay the cost of providing services to our citizens. Less income on our invested cash means fewer services, and makes our tight budgets even tighter.

In our judgment the Commission's proposals – a floating net asset value, fees on redemptions and required staggered redemptions – would strike at the heart of the value of money funds as an investment vehicle for governments and consumers.

We would ask that you reconsider your proposed rulemaking and withdraw the measures encompassed in S7-03-13. In our view, those regulations would do more harm than good.

Sincerely yours,

Steven Grossman
Treasurer and Receiver General
Commonwealth of Massachusetts