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The ‘Hue and Cry’ over Money Market Funds Is a Chorus of Many Voices

By Paul Schott Stevens

Securities and Exchange Commission Chairman [Mary Schapiro](#) took aim at money market funds again today, this time lamenting “the hue and cry being raised by the industry” against the proposals that she champions.

I confess—the fund industry has become increasingly vocal in opposing the Commission’s reported proposals to force money market funds to abandon their stable \$1.00 per-share net asset value or to accept costly capital buffers and impose freezes on their investors’ assets.

After providing concrete ideas and sound analysis on issues surrounding money market funds to regulators for almost five years, we are dismayed to find the Commission pursuing flawed proposals that will harm investors, damage financing for businesses and state and local governments, and jeopardize a still-fragile economic recovery. And so we are speaking out.

But the “hue and cry” that Chairman Schapiro should be heeding is also coming from other quarters. It’s coming from [corporate treasurers and business leaders](#), who see the SEC’s proposals as a threat to the cash management and commercial paper that is the lifeblood of their companies. It’s coming from [state and local governments](#), wondering what financial vehicle can replace the funding they receive from \$290 billion held in tax-exempt money market funds.

The chorus of opposition is coming from nonprofits like [colleges and universities](#), and it’s coming from [investor advocates](#). And it’s coming from lawmakers on both sides of the aisle, including a [bipartisan group of U.S. Senators](#) expressing concern about proposals “that could potentially create disruptions in our fragile economy, impair the ability of businesses to raise capital efficiently, harm retail investors, and increase stress on municipal budgets.”

More than 100 groups have spoken out against forcing money market funds to “float” their value, and many more are rallying against costly capital buffers and forced freezes on investor assets. And they’re wondering why the SEC is pursuing these harmful ideas now. As the [Associated Industries of Florida](#) has written, “At a time when access to capital is a challenge for most business owners, increasing the financing costs of proven financial instruments like MMFS [money market funds] would further erode any hope for rapid job creation and economic activity.”

The SEC is charged by law with considering the impact of its regulations on investor protection, efficiency, competition, and capital formation. America’s business, America’s states and cities, and America’s investors are telling the Commission that its money market fund proposals fail those tests. That’s the “hue and cry” Chairman Shapiro needs to hear.

For more information and analysis on the SEC’s reported proposals, see www.ici.org/mmf.

Here’s a sampling of statements questioning the SEC’s push for additional regulation of money market funds:

- [United States Senate Joint Letter to Chairman Schapiro](#)
- [Senator Pat Toomey \(R-PA\) on Proposed Money Market Fund Regulations](#)
- [Cincinnati Chamber of Commerce](#)
- [Kentucky Chamber of Commerce](#)

- [Twenty-three Corporations and Business Groups Tell SEC New MMF Regs Would Hurt Business](#)
- [The U.S. Chamber of Commerce \(November 2011\)](#)
- [Statement by Congressman Scott Garrett \(R-NJ-5th\), Chairman of the Financial Services Subcommittee on Capital Markets and Government-Sponsored Enterprises](#)
- [Colorado County Treasurers Association comments to the Securities and Exchange Commission](#)
- [New Mexico Association of Commerce and Industry](#)
- [New Jersey State League of Municipalities](#)
- [Joint letter of the American Public Power Association, Council of Development Finance Agencies, Council of Infrastructure Financing Authorities, Government Finance Officers Association, International City/County Management Association, International Municipal Lawyers Association, National Association of Counties, National Association of Local Housing Financing Agencies, National Association of State Auditors, Comptrollers and Treasurers, National Association of State Treasurers, National League of Cities, U.S. Conference of Mayors](#)
- [Indiana Chamber of Commerce](#)
- [Business Council of New York State](#)
- [The U.S. Chamber of Commerce \(June 2011\)](#)
- [The Business Council of New York State](#)
- [The U.S. Chamber of Commerce \(January 2011\)](#)
- [Dallas Chamber of Commerce](#)
- [National League of Cities](#)
- [Consumer Federation of America and Fund Democracy](#)
- [AARP](#)
- [Port of Houston Authority](#)
- [National Association of State Treasurers](#)
- [New Hampshire State Treasurer](#)
- [State of Rhode Island General Treasurer](#)
- [American Association of State Colleges and Universities](#)
- [National Association of College and University Business Officers](#)

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