

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

April 17, 2012

The Honorable Mary Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

We are concerned about recent press reports and public statements you have made indicating that the issuance of further money market fund reforms is a high priority for you and one that you believe the Securities and Exchange Commission (SEC or Commission) should take up in short order. Given that the SEC has already missed numerous deadlines for mandatory rulemakings, the suggestion that the agency is devoting time and resources to a discretionary rule without providing Congress or the public with empirical data and economic analysis to justify such a rulemaking raises significant questions regarding the Commission's priorities and ability to manage its resources.

While we all recognized the need to reform money market funds following the 2008 financial crisis, significant reforms have already been implemented through the 2010 amendments to Rule 2a-7. Accordingly, we were surprised to read your comments in a November 7, 2011, speech, in which you stated that money market fund reform is an "important policy issue that has not been fully resolved following the financial crisis of 2008" and that "additional steps should be taken to address the structural features that make money market funds vulnerable to runs." These observations stand in stark contrast to comments made by Commissioner Daniel Gallagher in a December 14, 2011, speech, in which he questioned what is "prompting this urgency to reform money market funds." Commissioner Gallagher also questioned what "problems or risks" are sought to be addressed through the SEC's rulemaking, and whether "necessary data" exists to allow the Commission to "regulate in a meaningful and effective way."

Following the U.S. Court of Appeals for the D.C. Circuit's decision in *Business Roundtable and Chamber of Commerce of the United States of America v. U.S. Securities and Exchange Commission*, 647 F. 3d 1144 (D.C. Cir. 2011), in which the Court found that the SEC "relied upon insufficient empirical data" in promulgating its "proxy access" rule, we are concerned that one of your fellow Commissioners questions whether "necessary data" exists for the Commission to proceed with further reforms to the money market fund industry. We believe it is incumbent upon the Commission to first determine whether further reforms to money market funds are needed before choosing among the various reform proposals that are reportedly under consideration. In making this determination, we urge you to direct the appropriate SEC staff to conduct a thorough analysis of the money market fund industry, including the effectiveness of the 2010 amendments to Rule 2a-7. We believe this approach is not only important for investors, but it would serve to ensure that any future SEC money market fund proposal is grounded in rigorous economic analysis and can withstand judicial scrutiny.

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As you proceed in this area, we would also like to remind you that the SEC's mandate is to ensure that investors have all of the material information about an investment, not to engineer investments so that they are free of any risk. If investors do not understand that their investments in money market funds can result in losses, then the Commission should use its existing authority to enhance disclosures rather than change the fundamental characteristics of money market funds.

Thank you for your attention to this important matter.

A handwritten signature in black ink, appearing to read "Spencer Bachus", written over the printed name.

SPENCER BACHUS
Chairman

Sincerely,

A handwritten signature in black ink, appearing to read "Jeb Hensarling", written over the printed name.

JEB HENSARLING
Vice Chairman