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NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

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TREASURER

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September 2, 2009

RECEIVED
SEP 23 2009
OFFICE OF THE SECRETARY

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

Re: Money Market Reform; File Number S7-11-09, Proposed SEC Rule 2a-7

Dear Ms. Murphy,

Thank you for the opportunity to comment on the proposed SEC Rule 2a-7. We believe that many of the proposed changes are beneficial and note that our approved local government fund, the North Carolina Cash Management Trust (NCCMT), already operates under many of the proposed requirements. We have the following concerns about the proposed change that requires the use of floating Net Asset Values (NAV) for money market funds:

- We believe that a change to a floating NAV will discourage local governments from investing in money market funds and instead will choose competing bank products with fixed NAV. Local governments look to the NCCMT for a safe, protected principal, stable investment. This is evidenced by the fact that our local governments overwhelmingly choose the Cash Portfolio of the NCCMT, which has a fixed NAV, over the Term Portfolio, which has a floating NAV. This has consistently been the case in spite of the Term Portfolio's performance exceeding that of the Cash Portfolio by an average of 15 bps annually over the ten year period ended December 31, 2007. North Carolina local governments utilize the Cash Trust as a safe, short-term, liquid investment vehicle for taxpayer moneys; they are not interested in investments that may lose market value.

- Accounting for the change in NAV would complicate the recordkeeping for our local governments. Our larger governments may have multiple accounts and numerous transactions during the year. The cost to account for each could outweigh any value added by the additional information provided. Our smaller governments may not have staff that understand the requirements and as such would choose a bank product in lieu of a money market with floating NAV.

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- Money market funds are essential to the local government variable rate debt markets as investors in these securities. A drop in investment in money market funds would decrease the availability of assets available to purchase local government variable rate demand notes. Decreased demand will push rates higher and reduce the availability of this source of funds for local governments.

Again, we thank you for the opportunity to comment on this proposal.

Sincerely,

Janet Cowell

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