MSRB
Municipal Securities Rulemaking Board

March 3, 2009

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Re: Extension of Temporary Money Market Fund Guarantee Program

Dear Secretary Geithner:

As you are aware, Treasury's Temporary Guarantee Program for Money Market Funds (Guarantee Program or Program) will terminate on April 30, 2009, unless the Department of the Treasury elects to extend it. In the tax-exempt marketplace, the Guarantee Program has been a tremendous success and it has preserved the demand for variable rate demand obligations (VRDOs), of which tax-exempt money market funds are the principal investors. The Municipal Securities Rulemaking Board applauds Treasury for this bold and creative initiative.

As you may know, the MSRB was created by Congress in 1975 with a mission to protect investors and promote a fair and efficient municipal securities market. To that end, we urge Treasury to extend the Guarantee Program to September 18, 2009, the outside expiration date of the Program. We also encourage Treasury to announce the extension significantly in advance of the Guarantee Program's current termination date of April 30, 2009, just as former Secretary Paulson elected on November 24, 2008 to extend the Program's initial three-month term, even though it did not expire until January. Advance notice of an extension will reduce what would otherwise be unnecessary volatility in the tax-exempt marketplace as the April 30 termination date approaches.

Clearly, the Program has been of enormous importance to money market funds and their customers, who are overwhelmingly individual investors. Less obviously, the Guarantee Program has been of major importance to banks. The tax-exempt VRDOs owned by money market funds typically may be tendered for purchase at par on 7 days' notice. If those VRDOs cannot be remarketed to other investors, banks are obligated to purchase them, under the terms of letters of credit or standby bond purchase agreements. If individual investors withdraw their investments from money market funds in large numbers, the money market funds will exercise their tender rights. Since they are the principal investors in VRDOs, it will not be possible to remarket most of those VRDOs to other investors, and banks will be required to honor their purchase obligations. The effect on

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those banks would be significant and some banks might be unable to meet their purchase obligations. While the states and local governments who issued the VRDOs are obligated to reimburse the banks, they typically are not required to do so immediately, but instead may "term out" their reimbursement obligations over a period of time. Such term outs, however, tend to require full repayment of the issuer's outstanding debt over a significantly shorter period than anticipated in connection with the original debt offering, thereby potentially resulting in serious debt management consequences to issuers.

The MSRB believes that, to avoid this result, this successful Guarantee Program should be extended soon. We are available to answer any questions you might have about the municipal market and the necessity for the extension of the Guarantee Program. We also stand ready to assist Treasury in developing other programs that could aid state and local issuers, and the broader municipal market, during this prolonged crisis.

Respectfully submitted,

Ronald A. Stack
Chair

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