M&T Bank Corporation

BY E-MAIL

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

Re: Money Market Fund Reform; Amendments to Form PF
Release No. IC-30551; File No. S7-03-13

Dear Ms. Murphy:

M&T Bank Corporation ("M&T" or "we") is writing to express its concerns about the recent proposals by the Securities and Exchange Commission (the "Commission") regarding money market fund reform that are set forth in the above-referenced release.

Briefly, M&T believes that: (i) requiring the creation of "retail" and "institutional" prime money market funds will place a significant burden on prime money market fund sponsors; (ii) requiring "institutional" prime money market funds to have a floating NAV will drive most users to Government money market funds or to other, less suitable products; and (iii) liquidity fees and redemption gates will create risk and uncertainty that will make retail and institutional prime money market funds undesirable to investors.

Background on M&T

At June 30, 2013, M&T had total consolidated assets of $83.2 billion, making it the 16th largest domestic bank holding company in the U.S.

Through its principal bank subsidiary, M&T Bank, M&T provides a complete array of loan, deposit and other banking products and services to retail and commercial customers. At June 30, 2013, M&T Bank had total deposits of $65.7 billion. The daily average balance of deposits swept by customers into money market funds was in excess of $308 million for the six months ended June 30, 2013.

Through a number of bank and non-bank subsidiaries, M&T provides a wide range of investment management, investment advice, personal trust, corporate trust, custody, retirement plan, securities brokerage and other wealth management and asset administration services to individuals, families, business entities, trusts, foundations, endowments, public and private pension funds, state and local governments, and other institutional and retail clients. At June 30, 2013, M&T had over $77.7 billion in assets under management and over $188 billion in assets under administration. The balance of funds invested in money market funds through M&T's asset management and asset administration businesses at June 30, 2013 was in excess of $15 billion.

An M&T subsidiary is the investment adviser to the Wilmington Funds, a family of 23 registered, open-end mutual funds that includes four money market funds (the "Wilmington MMFs"). At June 30, 2013, the aggregate net asset value of the four money market funds was $9.3 billion, approximately 99% of which represented funds invested by or on behalf of customers and clients of M&T.

General Observations

As the Commission is well aware, same-day liquidity and dollar-in/dollar-out pricing are the features that have made money market funds the cash investment of choice for investors of all sorts for over 35 years. Investors also seek a return on their cash and, in a normal interest rate environment, the different types of money market funds provide investors with different risk/reward choices of market-based returns subject, of course, to the significant limitations of Rule 2a-7 under the Investment Company Act of 1940. Money market funds also provide investors with cost-effective access to professional money management and exposure to a diverse pool of high-quality assets. It is undeniable that the proposed changes, which will directly affect the daily liquidity and stable NAV of money market funds, will make them undesirable for all users.

The brief description of M&T business lines involved with money market funds hints at the diversity of accounting and recordkeeping systems that are involved in making money market funds available to different types of users, as well as in managing and administering the funds themselves. None of these systems has been designed to accommodate a money market fund with a floating NAV or a money market fund share price carried to four decimals. The burden (time and expense) of identifying, quantifying, designing, implementing and testing the necessary changes is likely to be enormous, and affected institutions will not be compensated in any manner for bearing that burden.

Comments by Business Line

<u>Mutual Fund Adviser</u>. The Wilmington MMFs, like most money market funds, offer different classes of shares, with different cost structures and other features, to different types of investors. Under the Commission's floating NAV proposal, the Prime and Tax-Exempt Wilmington MMFs would have to split into separate "retail" and "institutional" funds, transactions that would require shareholder votes. The time and expense of such an exercise would not prove valuable, as M&T is confident that current shareholders in the Prime and Tax-Exempt Wilmington MMFs who would be classified as "institutional" under the proposal would simply leave the funds because they have no interest in a floating NAV. "Shorn" of their institutional shareholders, the retail-only funds would have lost significant scale and may become uneconomical to operate after 35 years of service to M&T's customers and clients.

Assuming that displaced "institutional" shareholders move to Government/Treasury money market funds creates its own set of consequences for these funds and their advisers.

Eligible securities may be in short supply, either for direct investment or to serve as repurchase agreement collateral. The unusual demand will depress yields (assuming the transition occurred in a normal rate environment), making the funds less desirable.

Omnibus accounts are an efficient tool for an intermediary to purchase and sell mutual fund shares and are pervasive in the industry; they are also largely opaque. While the Commission is correct in its observation that funds already deal with this lack of transparency in applying other rules, those other rules lack the "existential" quality of the $1 million, "direct or indirect" redemption limit applicable to a "retail" money market fund. The redemption limit creates its own set of risks that must be understood, allocated and managed, and the Commission has not yet provided insight into what "reasonably designed" procedures to enforce the limit would resemble. Boards of trustees may balk at the additional responsibilities, the procedures will add compliance and operational costs, and intermediaries may simply refuse to do business with smaller fund families if, as is likely, the intermediaries are expected to shoulder the bulk of the compliance burden and risk.

Wealth Management/Personal Trust. As noted above, M&T believes that a floating NAV, or liquidity fees/redemption gates, will drive most wealth management clients from money market funds.

We are also concerned with the apparent value judgment inherent in the Commission's proposed creation of retail and institutional prime funds, as applied to M&T's fiduciary businesses. The need for same-day liquidity in an investment management or trust account, regardless of its size, can arise from a host of factors, including the settlement of a securities transaction, distributions associated with the termination of a trust, a purchase on behalf of an account or a scheduled quarterly payment of a stipulated amount to a beneficiary. The size and frequency of these distributions is beyond the control of the fiduciary, and the reasons for them have nothing to do with the kind of "head for the exits" behavior the Commission is trying to regulate. It is not clear to us why, or how, a smaller trust is more deserving of daily liquidity and a stable NAV than a larger trust, when the trusts must redeem prime fund shares to fund distributions for the same purpose. Furthermore, that "head for the exits" behavior should not exist in the fiduciary environment, since M&T would violate its duties to clients/trusts by pulling only larger, "institutional" relationships out of a struggling fund.

Trusts generally must account for principal and income separately. A floating NAV would result in an investment with features that would require extensive additional recordkeeping on our part because of the differences between principal and income and the ownership thereof by different beneficiaries.

As a fiduciary, M&T must invest client assets in a money market fund in a manner that is consistent with its fiduciary obligation to the account. Liquidity fees and redemption gates will create uncertainty, and risk, about the fiduciary's ability to obtain funds when and as needed by the account. That uncertainty and risk may drive the fiduciary to seek alternatives to the institutional prime money market fund, and we believe that those alternatives are inferior.

Lastly, we are concerned that the Commission does not fully appreciate the challenges presented to bank trust departments and their reliance on institutional prime money market mutual funds as predictable, reliable and prudent sources of liquidity. Since there are no readily available alternatives to prime funds, the troubling potential exists that regional bank trust departments would have to return to cash management procedures as they existed before the advent of money market mutual funds: acquiring, retaining and monitoring the maturity of individual short-term investments. Such a result would create unnecessary additional risk and cost.

Commercial Bank/Sweep Products. An institutional prime money market fund is a standard offering for a commercial deposit account sweep investment. Commercial customers value the same-day liquidity, stable NAV and market-based interest rate as they strive to manage cash in a productive manner. As noted above, M&T believes that a floating NAV, or liquidity fees/redemption gates, will drive most commercial banking clients from prime money market fund sweep accounts.

Again, we are concerned with the apparent value judgment inherent in the Commission's proposed creation of retail and institutional prime funds, as applied to commercial deposit account sweep products. Businesses of all sizes manage excess cash in institutional prime money funds, and use the same-day liquidity to fund the same types of payments: payroll, purchases of inventory, insurance premiums, equipment purchases, and capital improvements. We fail to see why businesses of a certain size are more deserving of the flexibility and utility of a commercial deposit account sweep into a prime money fund than other businesses. We also disagree with the generalization implicit in the floating NAV proposal that some commercial customers are more likely or better able to take action with respect to a money market sweep account than other customers.

Cash is the lifeblood of business, regardless of the size or sophistication of the enterprise. The possibility, however remote, of a liquidity fee or redemption gate being imposed is likely to drive commercial customers from money market funds.

Customers of M&T Securities, Inc., M&T Bank's wholly-owned broker-dealer, also use a money market fund as a sweep account investment for excess cash from their brokerage accounts. As with commercial banking customers, brokerage customers value the same-day liquidity, stable NAV and market-based interest rate as they manage their cash, settle securities purchases, and fund other expenses. M&T believes that these customers will react to the proposed changes in the same manner as commercial bank customers with sweep accounts.

Corporate Trust. As a corporate trustee, we take temporary possession of substantial sums of money that need to be invested, at the direction of other transaction participants or as specifically provided in the governing instrument, in highly liquid vehicles carrying the highest rating from one or more credit rating agencies. In many transactions, M&T must adhere to precise schedules as to the cash needs of the account. Institutional prime money market mutual funds with the requisite ratings are the market standard for meeting such needs.

A floating NAV and the loss of daily liquidity will cause market participants to cease using money market funds in capital markets transactions in which M&T serves as an institutional fiduciary. Consequently, we would have to revert to assembling portfolios of individual securities, which would add additional labor and cost and create additional risk.

The capital markets transactions in which M&T serves as an institutional fiduciary have specific payment requirements and schedules that cannot be varied or adjusted. Again, the possibility, however remote, of a liquidity fee or redemption gate being imposed would cause market participants to seek other investment products that lack these artificial restrictions, and those alternatives will not have the ease of access possessed by money market funds.

Retirement Services. M&T provides a variety of investment, settlement, accounting and recordkeeping functions for all types of retirement plans, and these arrangements have at least one feature in common: the use of an institutional prime money market fund as a participant investment option. Plan participants use the money market funds for liquidity, as an allocation to cash, and for safety in times of market stress. Plan participants expect that in foreseeable circumstances, purchases and redemptions will be effected at $1.00 per share, and we believe that a floating NAV would create substantial confusion and concern for them.

The retirement services business is highly systems-dependent, and there is usually extensive connectivity between service providers. Accordingly, our recordkeeping, trading/settlement, administration and reporting systems have been “hard wired” for a stable NAV at considerable cost. A floating NAV is likely to require significant changes to those systems, the costs of which we would not be able to recover.

As with other business lines, there is not a readily available alternative product that has the beneficial attributes of an institutional prime fund. The primary alternative, historically, has been the stable value fund; that product is always subject to the availability and cost of wrappers from insurance companies. Bank deposits are subject to the needs of financial institutions, do not offer a market-based return in a normal interest rate environment, and are complicated to administer. If an alternative to an institutional prime money fund must be implemented, then plans and providers will incur significant additional expense in revising plan materials, re-educating plan participants and related tasks.

Conclusions

We recognize the responsibility of the Commission to address systemic issues pertaining to money market funds. However, as the foregoing comments reveal, we do not support the

Commission's proposed changes to prime money market funds. We believe that the Commission's 2010 reforms meaningfully reduced the risk profile of money market funds (although we note that those reforms created new risks, such as the concentration of money fund investments in the obligations of a relatively small number of high-quality issuers.) Given the challenges that the ongoing, artificially low rate environment has placed on money funds and the continued global economic malaise, we see no reason to burden the money fund industry further, and many reasons not to.

As noted above, we believe that the proposed changes will drive users of money funds of all types from the product. At the same time, intermediaries and service providers that offer money funds to the remaining users will have to make substantial and costly changes to systems and procedures, and no one knows the magnitude of those costs. We believe that the costs will be significant and will largely be unrecoverable. Thus, a very real possibility is that smaller intermediaries and service providers may have to exit their businesses, or certain business lines, in the face of these costs.

Any prospect for such dramatic changes to money market funds is all the more troubling since the Commission itself is unclear about the benefits of those changes. As the Commission notes in the proposing release: “We recognize that a floating net asset value may not eliminate investors’ incentives to redeem fund shares, particularly when financial markets are under stress and investors are engaging in flights to quality, liquidity, or transparency.” (Section *III., Subsection 1-c., 78 FR 36851).*

If we are forced to choose among the proposed options, then we would select the alternative that would grant authority to a money market fund's board of directors (subject to certain conditions) to suspend redemptions for a given period of time in periods of market turbulence.

We would urge the Commission to consider further the consequences of its proposals before moving ahead with such extensive changes.

Sincerely,

/s/ WILLIAM J. FARRELL
William J. Farrell
Executive Vice President