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Chemung Canal Trust Company

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July 31, 2013

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:

Chemung Canal Trust Company welcomes the opportunity to submit our comments on the above-referenced notice of proposed rulemaking by the Securities and Exchange Commission ("SEC" or "Commission").[1]

Chemung Canal Trust Company is a bank with substantial trust operations, headquartered in Elmira, New York. Chemung Canal Trust Company is regulated by the Board of Governors of the Federal Reserve System and The New York State Banking Department. Chemung Canal Trust Company has custody or supervision over $1.7 billion in trust, fiduciary and custody client balances. Approximately $70 million of those balances are held in money market mutual funds ("Money Funds"). We process more than 300 Money Fund transactions for these accounts per day. We have found Money Funds to be a useful and efficient means to manage cash for our trust, fiduciary and custody customers. Now, however, we understand that the Commission is proposing to change the rules that apply to Money Funds in ways that will make them ill-suited to our needs.

We believe the amendments adopted by the Commission to its Money Fund rules in 2010 are working well. As a result of those amendments, and what we believe to be a conservative management approach across funds, Money Funds today have liquidity sufficient to meet customer redemptions in all but the most severe circumstances. We believe that that no further major changes are necessary and, in particular, we believe there is no justification for a restructuring of the way Money Funds have been priced for decades, especially where such a restructuring has no relationship to any run risk.

A floating NAV will not reduce the likelihood of runs on Money Funds, as the Commission, the Financial Stability Oversight Council, and others have recognized.[2] In addition, as trust

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[1] 78 F. R. 36834 (Jun. 19, 2013).

[2] 78 Fed. Reg. at 36851-36852; Report by the Division of Risk, Strategy, and Financial Innovation, *Response to Questions Posed by Commissioners Aguilar, Paredes, and Gallagher* (Nov. 30, 2012).; FSOC, *Proposed*

managers, we are well aware of the risk that a Money Fund is not insured, and although it may seek to maintain a stable NAV, a Money Fund could "break the buck." In fact, this risk is prominently disclosed in every prospectus, and there are many surveys and reports showing that investors understand it.[3] Accordingly, there is no justification for requiring the imposition of a floating NAV for prime institutional Money Funds, as the Commission has proposed.

While we do not believe further changes are warranted, the "gating" proposal offers more protection for shareholders in a crisis (when a floating NAV will have no impact in reducing a flight to safety) and is less onerous day to day. Considering the highly liquid portfolios of Money Funds, redemption limits will be applied only in extraordinary circumstances. Meanwhile, [Bank] will be able to continue to use stable value Money Funds to facilitate trust and other services in an efficient manner.

Recognizing that there's no guarantee, the stable NAV is important to us because we use Money Funds to perform many different trust, fiduciary and custody account services. Money funds are useful for these purposes, because they offer a stable $1 NAV and same-day settlement. In fact, the systems and software that we use in this regard are based on these two fundamental features, and allow Chemung Canal Trust Company to sweep client cash (whether from sales of assets or new cash) into Money Funds, and from Money Funds to pay for customer trust, fiduciary or custody account investments. These systems also communicate with and are linked to the systems of the brokerage firms through which customer securities transactions are executed and settled.

We rely on the intra-day settlement capability of Money Funds, as we and our custody clients buy and sell portfolio investments, make payments, receive cash, and manage client cash balances at multiple times throughout the day. A floating NAV, or the abandonment of amortized cost accounting, would make difficult, if not entirely prevent, efficient intra-day settlement of Money Fund share purchase and redemption transactions. If Money Fund share purchases and redemptions cannot efficiently and promptly be processed on a frequent intra-day basis, there is more difficulty matching cash flows. Consequently, we would have to reduce or eliminate our use of Money Funds as cash management vehicles.

Recommendations Regarding Money Market Mutual Fund Reform, 77 Fed. Reg. 69455, 69467 (Nov. 19, 2012); Federal Reserve Bank of New York Staff Study No. 564: *The Minimum Balance at Risk: A Proposal to Mitigate the Systemic Risks Posed by Money Market Funds*, at. 6, 54 (Jul. 2012) (http://www.federalreserve.gov/pubs/feds/2012/201247/201247pap.pdf).; Professors David Blackwell, Kenneth Troske and Drew Winters, *Money Market Funds Since the 2010 Regulatory Reforms: More Liquidity, Increased Transparency, and Lower Credit Risk*, at 44 (Fall 2012), http://www.uschamber.com/sites/default/files/reports/FinalpaperwithCover_smalltosend.pdf); Hal Scott, *Interconnectedness and Contagion*, Committee on Capital Markets Regulation, at 224 (Nov. 20, 2012), (http://www.capmktsreg.org/pdfs/2012.11.20_Interconnectedness_and_Contagion.pdf) (stating that a "floating NAV does not address the risk of contagion among MMMF investors.").

[3] *See* Letter from Fidelity Investments to SEC (February 3, 2012) (surveys of retail and institutional investors); Letter from National Association of State and Local Treasurers to SEC (December 21, 2010); Testimony of Maryland State Treasurer Nancy Kopp Before the Subcommittee on Capital Markets and Government Sponsored Enterprises of the House Committee on Financial Services (Apr. 25, 2012) (webcast archive: http://financialservices.house.gov/Calendar/EventSingle.aspx?EventID=290689).

In addition, as noted above, our transaction processing and accounting systems depend on a stable NAV and frequent intra-day settlement capability. The systems we use and make available to our clients are not equipped to process Money Funds with a floating NAV. It would be very expensive (and not economically justified) to rebuild our automated systems to process these transfers and payments at other than $1 per share.

Finally, we note that without Money Funds, short-term customer cash balances would have to be held as deposits on the commercial side of the bank, placed in bank-sponsored short term investment funds or invested separately in money market instruments of one type or another. Using Money Funds to hold trust and other fiduciary and custody account balances over time allows a somewhat higher, market-based return to client accounts, reduces the credit risk to customer accounts through the diverse portfolio of the Money Fund, and is far more efficient for the Bank to process account transactions.

In conclusion, we urge the Commission not to require Money Funds to convert to a floating NAV. If the Commission deems it necessary to further amend Rule 2a-7, it should choose the alternative that has the greatest potential to address extraordinary redemptions in a crisis, without hampering investors' use of Money Funds on a daily basis. The Commission should not otherwise require structural changes to a highly efficient and useful money management tool.

Thank you for this opportunity to provide our comments.

Sincerely,

Melinda Sartori

Melinda Sartori
Executive Vice President