CUMBERLAND VALLEY
NATIONAL BANK & TRUST

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AUG 27 2013
OFFICE OF THE SECRETARY

September 2, 2013

The Honorable Mary Jo White
Chairman, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

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

Dear Chairman White:

Cumberland Valley National Bank & Trust ("CVNB") 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]

CVNB is headquartered in London, Kentucky. CVNB is regulated by the Office of the Comptroller of the Currency. Approximately $30 million of customer balances are held in money market mutual funds ("Money Funds"). We have found Money Funds to be a useful and efficient means to manage cash for our cash sweep 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

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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 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

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addition, as trust 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.

The stable NAV is important to us because we use Money Funds to perform many sweep 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 [Bank] to sweep client cash (whether from sales of assets or new cash) into and out of Money Funds.

We rely on the intra-day settlement capability of Money Funds, as we 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.

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

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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).

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 customer account balances over time allows a somewhat higher, market-based return to clients, 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,

Whitney Sisson

Whitney Sisson
SVP

cc: The Honorable Luis A. Aguilar
The Honorable Daniel M. Gallagher, Jr.
The Honorable Kara M. Stein
The Honorable Michael S. Piwowar
Norman Champ, Director, SEC Division of Investment Management
Craig Lewis, Director, SEC Division of Economic and Risk Analysis