KEYSTONE

November 18, 2011

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

RE: File No. 4-619 President's Working Group Report on Money Market Fund Reform
Additional Comments

Dear Ms. Murphy:

It has been over three (3) years since the events of September 2008 altered the perceptions and operations of the Money Market Mutual Fund Industry (the "Industry"). Change came in 2010 when the Securities and Exchange Commission (the "SEC") set forth amendments to the 2a-7 regulations. The Industry generally has embraced these changes. Additional reforms proposed by the SEC and others, however, have created significant uncertainty for the Industry, uncertainty that the Industry would like to put behind it. That uncertainty generally is reflected in what appears to be a regulatory tug-of-war between those in favor of eliminating all risk to investors in money market funds, notwithstanding the historic performance and stability of the Industry as compared to the banking industry, and those in favor of allowing funds to manage their risks.

We are asking the SEC that as it considers additional reforms for money market funds that it adopt rules that give money market funds, their investment advisers and sponsors significant latitude in how they may support and manage those funds. At Keystone, we do not believe that all risks can be eliminated from money market funds. As we recently have seen with U.S. Treasuries, there are no securities unaffected by the perceptions of risk. We also do not believe that all risks should be eliminated from money market funds. Although money market funds are intended primarily for the safeguarding of principal, most investors seek some return on their investments, even if that return is small, and without some risk, investors would receive no returns. Moreover, we do not believe that there is or should be a single panacea or one-size fits all solution for the entire Money Market Fund ("MMF" or "Funds") community. If additional reforms are viewed as necessary, the best proposal for additional support to the Industry is to allow a variety of options and let the market decide which one provides greater security relative to return.

Apart from the unsupported discussion to end the stable net asset value ("NAV") structure, there are several options still under consideration. On April 29, 2011 a comment letter was submitted jointly by Fidelity, Charles Schwab and Wells Fargo provided details supporting their NAV Buffer option, which is currently viewed as the most likely and supported option by the regulatory agencies. BlackRock also provided an excellent overview of the potential solutions in their August 2011 Viewpoint series, which included the infamous "rainbow" slide. These options discussed the NAV Buffer, a Special Purpose Entity proposal by BlackRock, and Subordinated Class Shares by the

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Squam Lake Group, but did not include further discussion of a private emergency liquidity facility ("ELF"). The intent of this letter is to discuss a different form of ELF.

Support for the ELF option is reflected in many of the President's Working Group on Financial Markets – Money Market Reform Options (the "PWG Report") response letters. The Industry acknowledges the great amount of time and effort spent by the Investment Company Institute ("ICI") to propose their ELF model in the form of a liquidity-exchange bank, but in its proposed form, the Federal Reserve denied direct access to the Discount Window. In light of the rejection of the ICI model, I believe there is another model for an ELF that could be supported by the Industry.

On April 14, 2011, I submitted a response letter to the PWG Report. It stated my support for some form of ELF, but not necessarily the ICI model. My experience with a Local Government Investment Pool ("LGIP"), which was affected by exposure to The Reserve Fund and the litigation that followed, led me to begin creating an alternative ELF model that Keystone refers to as a Liquidity Bridging Facility ("LBF").

Liquidity Bridging Facility

The LBF would be structured as a conglomeration of participating MMF's. For lack of a better term, it is an external reserve. As an external source of support, it will increase accountability and decrease moral hazard for access to additional funds through established replenishment procedures. The LBF will provide cash for securities maturing within 12 months.

Administration would be provided by Keystone ELF Inc. ("Keystone"). Keystone would be the provider, administrator and facilitator of the LBF. Oversight responsibilities would be given to a Board of Trustees made up of participating Industry representatives to provide governance, insight and support.

The Initial Capitalization would be gathered by private investors and other sources at an estimated level \$800M to \$1.6B. These numbers assume a 20% - 40% Industry participation rate. Discussions have already occurred with these sources and before further progress is made, interest for this model must be validated. On-going Capitalization comes from a monthly Commitment Fee expense to accumulate over time. This fee consists of a "Reserve" Pool (for lack of a better name) and an administrative portion for operations and expenses. The fee will be tiered according to market conditions. 83-97% of the commitment fee will be solely dedicated to the Reserve Pool, depending on market condition. In case of a "draw-down" event, overnight liquidity can be achieved. Also, it would be our intent to provide participating MMF's with the ability to test access to the LBF periodically.

All funds will be held by a third-party custodian, but the participant contribution levels will be tracked by Keystone. The intent is to initially cover all participating MMF's assets under management ("AUM") at the 0.995 level. This level represents the established "breaking of the buck" threshold and is a symbol of the events of September 2008. As participation in the LBF grows over time, higher levels of coverage will be

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realized. As with any of the options proposed, it is understood that it will take time to grow to any sizable capacity and the best time to begin this effort is in the current market environment. Our model does not assume 100% participation by the Industry, but could cover a majority of the Industry if interest is high.

Moral hazard management is very important. A system of make-whole provisions will be implemented to mitigate any negative impacts by each individual MMF's utilization of our liquidity mechanism. There will also be an emphasis for on-going surveillance of participating MMF portfolio holdings and compliance issues to assist in making the overnight liquidity available for a draw-down event. This is a pro-active approach for transparency, not micro-management.

NAV Buffer

Every option will have positive and negative qualities. Below, I would like to point out certain aspects that I believe make the LBF a better choice to the NAV Buffer proposal.

First, the idea that the individual MMF's have an internal reserve rather than an external reserve "is" the most simple and easiest remedy for the Investment Managers of these Funds. Although this proposal stresses that the shareholders own the buffer, the shareholders do not control its use. Risks cannot be fully managed 100% of the time, but once an event occurs there is a process of evaluating how to minimize a negative impact or how to gain access to liquidity. Normally, a sort of "accountability pain" would be associated with a decision. An internal buffer would act as a form of "aspirin" because any negative effect would just be accepted, not necessarily minimized to the benefit of the shareholders. In other words, it is not a mechanism to help prevent a loss, but to quickly recover from a loss at the expense of the shareholders. It does not ask if the Investment Management team did their best to recover any loss nor does it ask if they properly researched and managed the portfolio holdings. Rather than just being an acceptable practice, short-selling at a loss should only be construed as a last resort. While the intent of the LBF is to provide a liquidity mechanism and does not address credit risk within the portfolio, it does have provisions to address credit issues within the liquidity mechanism by the make-whole provisions. In other words, it gives the Investment Manager time. By having to ask for support outside the MMF, it acknowledges a problem, holds the MMF accountable, provides more transparency and shows a solution.

Second, the ability to artificially increase the NAV to higher levels within the accepted thresholds of the amortized method of rounding provides an easier way for Investment Managers to handle credit variations. How does this address the transparency issues addressed by the required "shadow NAV"? Will there now be three NAV's to track? By artificially skewing the NAV in a more positive light, are we givmore comfort for investors? Is the $1.00 technically made higher if there is a hold-back on income? The intent of the LBF is not to make it easier to manipulate the NAV, but to provide Investment Manager's the ability to access overnight liquidity in order to continue doing their job of managing the NAV within the established parameters set forth in Rule 2a-7 as they have done for 40 years with relative success.

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We have listed the main attributes of the LBF that Keystone seeks to provide the Industry. In relation to the SEC, there is increasing pressure to move forward with additional options for liquidity in the near future. When the issue of determining the option or options available to the Industry is discussed, we respectfully request that the Liquidity Bridging Facility proposal by Keystone be included in those discussions. All MMF's are not alike. Options for additional support should be considered and granted to the Industry so that the market can decide the best option for their needs. Keystone would like the LBF model to be included in the proposals and would like to discuss the regulatory issues in presenting our model with your agency in the near future.

Sincerely,

Bill Spivey
President

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