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September 17, 2013

Ms. Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Via e-mail: rule-comments@sec.gov

Re: Money Market Fund Reform; Amendments to Form PF, File No. S7–03–13

Dear Ms. Murphy:

State Street Corporation appreciates the opportunity to comment on the proposal by the Securities and Exchange Commission (the "Commission") to amend its rules governing money market mutual funds under the Investment Company Act of 1940 (the "Proposals").[1]

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With $25.7 trillion in assets under custody and administration and $2.1 trillion in assets under management as of June 30, 2013, State Street operates in more than 100 geographic markets.

The Commission has proposed two alternative reform approaches. The first ("Alternative 1") would require all prime, institutional funds[2] to operate with a floating net asset value ("NAV"). The second ("Alternative 2") would, at board discretion, impose a system of redemption fees and gates on all prime funds in times of market stress. The Commission suggests a final rule could include either, or both, of these suggested alternatives. As both a global custodian bank and a manager of money market funds on a global basis, State Street strongly opposes both of the alternatives suggested in the Proposals, due to the negative impact that will result on certain sectors of the institutional investor market.

Our comments today focus on three broad categories of concern. First, we are concerned with the asset management impacts of the Commission's Proposals, which will negatively impact investors, advisers, and financial markets, and greatly reduce the options available in the market to manage cash. Second,

[1] *Money Market Fund Reform; Amendments to Form PF*, 78 Fed. Reg. 36834 (June 19, 2013).
[2] As defined by the Proposals.

the Proposals raise serious operational concerns, which will raise costs to investors, and greatly reduce the utility of money market mutual funds as short-term cash management tools. Third, we are concerned that imposing the suggested reforms on securities lending cash collateral reinvestment vehicles will have detrimental impacts on many beneficial owners participating in securities lending programs.

Asset Management Issues

State Street remains strongly opposed to the Proposals suggested by the Commission, and believes that adoption of either proposal --- or, worse, both --- would have a significant negative impact on investors, advisers and financial markets.

Money market mutual funds provide investors with a low cost means to efficiently manage their cash portfolios in a highly liquid, diversified portfolio of high quality, short-term assets, managed by professional investment managers. State Street's clients, such as state and private pension funds, endowments and other institutional investors, use money market funds to effectively manage cash flows, invest temporary cash, and to manage cash collateral related to securities lending programs. Such funds are particularly valuable for smaller investors, who may not have sufficient internal resources to establish sophisticated treasury functions, or may not have sufficiently large balances to justify segregated cash management arrangements with professional money managers.

We continue to believe that the Commission's 2010 money market fund reforms addressed weaknesses exposed during the financial crisis, and that regulations under the Investment Company Act of 1940 have proven effective in protecting investors' interests and maintaining their confidence in money market funds. We are concerned that new Proposals from the Commission will fundamentally and irrevocably change modern cash management practices, with limited corresponding benefit to investors or systemic risk reduction.

We are also concerned by potential negative combined impact of several emerging global regulatory initiatives on cash management alternatives for our institutional investor client base. First, the Commission's pending money market fund proposal (and similar proposals elsewhere, such as the European Union) will make registered money market funds unworkable for some subsets of institutional investors. Second, global regulatory focus on repos and other securities financing transactions as part of "shadow banking" initiatives could further limit options for short-term investment of cash. Third, pending proposals to increase the leverage ratio will limit the ability of banks to accept large cash deposits on their balance sheets. We are concerned that regulators have not fully considered the combined impact these initiatives could have on the ability of institutional investors to manage cash.

Our more detailed views on the asset management-related aspects of the Commissions' proposal are described in comments filed by our investment management arm, SSgA.

Operational Issues

State Street, as a major provider of custody, accounting and fund administration services to mutual fund and other clients' cash management products, has unique insights into the operational challenges with the changes suggested by the Commission's Proposals.

State Street provides custody and fund accounting services to 125 clients and fund administration services to 108 clients. State Street provides various services for 425 money market funds.

Our services to money market funds include: (i) calculation of amortized cost NAVs and shadow NAVs, (ii) testing of compliance with Rule 2a-7 requirements, (iii) preparation and filing of Form N-MFP, (iv) financial reporting services, including preparation of shareholder reports, (v) expense management, and (vi) tax reporting services. We are, therefore, well-positioned to respond to the Commission's questions regarding the cost of certain initiatives mentioned in the Proposals, the systems enhancements that would be required to comply with the Proposals and current money market fund practices.

Attached hereto as Appendix A are our responses to particular questions set forth in the Proposals. We have categorized our responses into three buckets – Experience, Costs and Operational. The "Experience" category contains responses to questions requesting guidance on industry practices and on particular GAAP, accounting and tax implications of the proposed rules. The "Costs" category contains our responses to questions regarding the costs of implementing certain initiatives; please note that our responses reflect our estimate of costs from a fund accounting and fund administration point of view. "Operational" questions and responses relate to changes to controls, procedures, systems and staff necessary to implement the initiatives contained in the Release. Overall, we believe either of the two Alternatives suggested by the Commission would create significant systems costs, and result in numerous operational challenges, to servicers of money market mutual funds.

While there are numerous challenges with implementing either of the Commission's proposed alternatives, State Street would like to provide commentary and color in particular with respect to the operational complexities related to "Alternative 1", the proposal that prime institutional funds, as defined in the Proposals, would not be allowed to maintain a stable NAV. While the accounting and tax implications of shifting to a floating NAV are well-known, and acknowledged by the Commission, the negative impact on the liquidity of investors' short-term investment in money market mutual funds appears to be less well known. In the absence of extremely costly (probably cost-prohibitive) system enhancements, we are concerned that adoption of this Alternative will significantly limit the utility of money market mutual funds as short-term investment vehicles for a broad range of institutional investors.

In the current environment of stable-NAV funds, many investors use money market funds for short-term, sometimes overnight, investments to "park" uninvested cash. These "sweeps" are feasible in the current environment because the client knows at the time of submitting the purchase order how many shares it has purchased, and how many shares it will receive the next day upon redemption, absent an unusual event that would cause the fund to "break the buck"[3]. Specific timing varies among fund managers, but most market participants process redemptions intraday, allowing investors intraday liquidity for money market fund investments. In a floating NAV environment, the client will not have information regarding the number of shares purchased, or access to its proceeds, in a timely manner, to allow for efficient cash management planning.

[3] If the proceeds are received by the fund on the day of purchase, then the investor will receive that day's dividend. An investor that redeems shares on the day after purchase will most likely receive its redemption proceeds intra-day.

An example may further illustrate this point. Suppose an investor submits a purchase order at 10:00 am on August 30th for $1 million to purchase shares of a money market fund that maintains a stable NAV of $1.00 and calculates its NAV at 4:00 pm. The investor will know at the time of purchase that it will receive one million shares, and, when it submits a redemption request on August 31st, it will receive a known amount of proceeds on that day, and generally receive funds intraday.

Now imagine the same scenario for a floating, rather than stable, NAV fund. The investor would not know the number of shares which it has purchased until 4:00 pm on August 30th. An investor redeeming shares on August 31st will need to wait until after 4:00 pm when the NAV is calculated to know the redemption proceeds, and will need to wait until late that day (or perhaps the next day) for funds to be available, creating the potential for disruptions of funding on an intraday basis. This lack of intraday liquidity for investors is a significant shift in market practice. As the Commission suggested in the Proposals, one solution to this problem would be for the money market fund to calculate its NAV earlier in the day, at 11:00 am, for example. However, the money market fund would not be a viable option for investors seeking to earn income on uninvested cash remaining at day's end (or any time after 11:00 am), since the pricing of the fund would not be known until 11:00 am the next day.

Another solution would be for the money market fund to strike its NAV multiple times in a day, at 11:00 am and 4:00 pm, for example. In that case, our hypothetical investor's investment would be priced at the floating NAV calculated at 11:00 am on August 30th and its money would be invested in the fund on that day. The shares would be redeemed based on the floating NAV calculated at 11:00 am on August 31st, thus giving the investor the use of its money on August 31st. While multiple daily NAV calculations may address intraday liquidity issues for investors, it is not, in our view, feasible from a cost and systems perspective.

The solution of striking multiple daily NAVs would be very costly because the accounting systems of key industry players would require substantial enhancements to accommodate intra-day floating NAVs. In addition, it is our understanding that transfer agency platforms and the platforms of broker-dealers and other financial intermediaries would also require significant and costly enhancements. Costs would also increase: (i) if cost basis tracking is required, (ii) to produce 1099-B tax forms, (iii) to support a "de minimis" wash sale exemption, and (iv) to begin forwarding transaction statements to clients that have had their daily confirmation suppressed in accordance with Rule 10b-10 of the Internal Revenue Code. The process of reconcilement of shares and proceeds and the handling of omnibus arrangements would surely become more challenging; in order to avoid late trading trades of beneficial owners, underlying omnibus accounts may need to be date-stamped or include the NAV.

Other alternatives that could provide intraday liquidity could emerge in the marketplace, such as banks providing intraday credit in anticipation of late-day payment of redemptions, but such solutions could raise other concerns, particularly given banking regulators' regulatory focus on intraday credit exposures of banks.

We urge the Commission to fully consider the negative liquidity impacts that will result from eliminating stable NAVs for money market funds, particularly for market participants using such funds as short-term cash "sweep" investments. At a minimum, the severe operational challenges associated with moving to a floating NAV will require a suitably long transition period.

Securities Lending Cash Collateral Pools

State Street[4] has significant concerns with the impact of the Proposals on securities lending cash collateral pools, and recommends that such funds be excluded from the scope of a final rule.

Securities lending, which we view as an important element in the custody bank business model, provides significant benefits to both investors and financial markets. Investors received $8 billion in incremental income over the past 12 months from securities lending.[5] Like many other groups have noted previously, the Financial Stability Board recently highlighted that, "The securities lending and repo markets play crucial roles in supporting price discovery and secondary market liquidity for a variety of securities issued by both public and private agents."[6]

As agent lender for our clients, State Street is authorized to negotiate loans of eligible securities to approved borrowers. During the term of a loan, borrowers are required to post approved collateral that is at least equal in value to the value of securities lent. Loans and collateral are marked to market each day and, when a loan is closed, the lender is contractually required to return collateral. As agent, State Street coordinates all loan and collateral flows on behalf of its lending clients; when cash is received as collateral, this includes subscribing and redeeming shares in client-approved cash collateral investment vehicles. The integral connection between securities lending activity, and the role of the agent lender in the process, is an important difference between securities lending cash collateral pools and other types of 2a-7 funds.

Historically, the use of stable NAV investment vehicles, including registered money market funds, for the investment of cash collateral has allowed for both a) the smooth management of both the agent's requirement to invest and redeem collateral in tandem with the daily collateral flows and b) the lender's legal requirement to return collateral to borrowers when loans are returned or marks require.

The floating NAV (Alternative 1) requirement would likely disrupt this cash collateral reinvestment process for lenders either required to or choosing to use registered 2a-7 collateral pools.[7] The fees and gates requirement, as currently drafted, would render unworkable the use of registered 2a-7 collateral pools for the investment of collateral.

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[4] State Street Global Markets provides specialized research, trading, securities lending and portfolio strategies to owners and managers of institutional assets. With approximately $2.7 trillion in lendable assets, State Street is a market leader in securities finance, providing both custodial and third-party lending services to approximately 324 active clients worldwide (as of June 30, 2013).

[5] Markit Group data

[6] FSB report on Shadow Banking, August 29, 2013

[7] Lenders may alternatively choose to reinvest cash in separate accounts or bank sponsored common trust funds.

A floating NAV requirement would pose significant tax, accounting and operational issues for securities lenders that utilize a registered money market fund for the investment of their cash collateral. Lenders are contractually required to return to borrowers the principal value of cash collateral received and lenders typically bear the risk that their invested cash collateral may fall in value. With the adoption of a Floating NAV requirement, new operational controls, reporting and compliance procedures will be needed to track the variance between the invested collateral value and the collateral liability and to track the expected capital gains and losses related to frequent transactions in the collateral investment vehicle. Additionally, lenders and agents may need to establish new procedures to facilitate lender payments from accounts other than a lender's cash collateral investment vehicle(s) to "top off" the redemption proceeds from the collateral investment vehicle if the proceeds are otherwise insufficient to meet lender obligations to return collateral. Such additional compliance burdens may render floating NAV funds uneconomical or otherwise unpalatable for cash collateral reinvestment for some segments of current securities lenders.

The fees and gates proposal (Alternative 2) would effectively nullify lenders' ability to reinvest cash collateral in money market funds covered by the rule. As lending agent, State Street is required to invest cash collateral received in a prescribed investment fund and lenders are obligated to return collateral to borrowers upon a loan's return or negative mark-to-market. New loans, loan returns and mark-to-market activity drive daily net subscription and redemption of shares in cash collateral investment vehicles, and we believe that maintaining a fixed collateral balance (and by extension a fixed share balance) would be all but impossible operationally. Further, an attempt by State Street or another lending agent to maintain a fixed collateral balance for a subset of clients in accordance with the Commission's Alternative 2 may raise concerns by the Department of Labor regarding the fair and equal treatment of ERISA plan clients.

Imposing either of the proposed alternatives on cash collateral pools would materially disrupt the lending market by reducing overall participation by registered mutual funds and other smaller institutional investors, thereby negatively impacting both their investment return potential and, possibly, secondary market liquidity.

Finally, we note that securities lending and cash collateral reinvestment pools are currently the subject of several regulatory initiatives separate and apart from the Commission's money market mutual fund reform efforts. Most specifically, a recent Financial Stability Board agreement on "shadow banking" suggested a global approach to addressing issues raised by such cash collateral pools. Given the unique nature of these investment funds, we urge the Commission to address risks posed by securities lending cash collateral pools in the context of this global approach.

As a result, State Street recommends that the Commission exclude from the scope of the Proposals money market funds that are used solely for the reinvestment of cash collateral, perhaps conditioned on the agent lender maintaining appropriate policies and monitoring to the limit the risk of "runs" on the fund.

Conclusion

Overall, State Street continues to oppose the money market reform proposals suggested by the Commission. We are concerned by the Proposals' potential to severely disrupt asset management practices by institutional investors, and by the significant operational challenges either of the proposed alternatives will create. We are also concerned by the negative impact the Commission's Proposals will have on securities lending markets, and the associated market disruptions that could result.

While we oppose each of the Commission's proposals separately, we are particularly concerned by the potential for the Commission to adopt both proposals, which would magnify the negative impact of the Commission's actions. Finally, given the significant changes proposed by the Commission, we urge the adoption of suitably long transition periods for any final rule.

We would be pleased to meet with the Commission to provide more information, or answer any questions.

Sincerely,

Stefan M. Gavell

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<table>
<tr><th>Page Number</th><th>Type of Issue</th><th>Category</th><th>Question from the Release</th></tr>
<tr><td>70, 77</td><td>Penny rounding</td><td>Experience</td><td>Is penny rounding sufficient to allow government money market funds to maintain a stable price? Is penny rounding sufficient to allow retail money market funds to maintain a stable price?</td></tr>
<tr><td colspan="4">Response: State Street believes that some government money market funds will encounter difficulties maintaining a stable NAV if they are not allowed to use amortized cost. Currently, the amortized cost valuation limits large fluctuations in share value that would otherwise result from market factors. Under the Proposed Rule, amortized cost valuation of money market fund assets would be eliminated for government money market funds. Accordingly, amortized cost valuation is replaced with market valuation which may result in some challenges in maintaining a stable price.</td></tr>
<tr><td>108</td><td>Redemption limits for retail funds</td><td>Costs</td><td>Are the staff's cost estimates [for creating and maintaining separate retail funds due to the $1 million limit on redemptions for retail shareholders] too high or too low . . .? Are there operational or other costs associated with segregating retail investors other than those discussed above?</td></tr>
<tr><td colspan="4">Response: State Street agrees with the staff that there will be significant operational and compliance burdens of implementing the retail exemption. Most of the additional operational costs would be borne by transfer agents and we do not anticipate significant additional operations costs for the custodian, fund accountant or fund administrator with respect to the limitations on redemptions for retail shareholders. Money market funds would incur additional costs in implementing procedures to monitor and address exceptions regarding intermediaries' institution of the $1 million limit. For money market funds that currently have both retail and institutional shareholders, there will be some significant upfront reorganization costs to separate retail and institutional money market funds from an accounting custody and transfer agency perspective. Most of these costs would undoubtedly be passed on to shareholders through fund expenses.</td></tr>
<tr><td>122</td><td>Floating NAV</td><td>Costs</td><td>Are there other accounting-related costs or burdens that money market fund shareholders would incur if we require money market funds to use floating NAVs?</td></tr>
<tr><td colspan="4">Response: State Street believes significant enhancements of core fund accounting systems would be required and additional staffing would be needed to price floating NAV funds. Those costs would increase exponentially if we were to provide pricing multiple times a day for floating NAV funds. We agree with the staff that impacted entities would likely have to perform an in-depth analysis of the proposed rules to calculate the costs of modifications required for their systems. State Street believes the one-time costs of implementation for affected entities would be extremely high. Downstream systems, such as financial reporting, compliance and tax systems, would also be impacted and an in-depth analysis would be required to determine the additional costs of modifying those systems.</td></tr>
<tr><td>127</td><td>Floating NAV</td><td>Operations</td><td>To what extent would . . . fund accounting departments [and] custodians . . . need to develop and implement additional controls and procedures or modify existing ones under our floating NAV proposal?</td></tr>
<tr><td colspan="4">Response: State Street believes there will be extensive additional resources needed to obtain market prices and calculate NAVs. We would need to implement with respect to money market funds all of the procedures and controls we use to obtain daily prices for individual</td></tr>
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<tr><td colspan="4">securities held by, and calculate and disseminate a NAV for, non-money market funds.</td></tr>
<tr><td>127</td><td>Floating NAV</td><td>Costs</td><td>Do money market funds and others expect they would incur costs in addition to those we estimate above or that they would incur different costs [with respect to floating NAV funds]?</td></tr>
<tr><td colspan="4">Response: State Street agrees with the staff that fund accountants and custodians would need to implement additional controls, modify systems to track gains and losses, provide basis reporting and monitor for wash-sales (Revenue Procedure Notice 2013-48 may mitigate the effect of wash sale rules, upon finalization) for floating NAV money market funds. While such costs can, as the staff suggested, be spread across multiple clients, such costs will not be insignificant. Additional systems enhancements would include changes to downstream applications and associated reporting.</td></tr>
<tr><td>128</td><td>4-decimal point NAV</td><td>Costs</td><td>If a number of money market funds already report daily shadow prices using “basis point” rounding, are there additional operational costs that funds would incur to price their shares to four decimal points?</td></tr>
<tr><td colspan="4">Response: Yes. Additional costs would include the costs of modifications to core custody/fund accounting systems and downstream applications used by our financial reporting, tax and other groups. These costs are not insignificant, and we would have to perform an in-depth analysis of the requirements to calculate the costs of modifications required to the impacted systems.</td></tr>
<tr><td colspan="4">Response: State Street believes that funds currently don’t have the “ready capability” to price their shares to 4 decimal points.</td></tr>
<tr><td>133</td><td>Floating NAV funds with multiple NAVs</td><td>Costs</td><td>What kind of costs, specifically, do commenters expect to incur [to provide pricing multiple times a day for floating NAV funds?] What kind of employee costs would be involved?</td></tr>
<tr><td colspan="4">Response: State Street believes extensive modifications to our core fund accounting system would be required to support multiple daily prices for these funds at a significant cost. State Street would need to add staff to apply our pricing controls for each NAV calculated. Other costs would include increased quantity of pricing vendor quotes for individual securities. Additionally, there would be significant technology enhancements required to our impacted systems. For example, the current State Street accounting systems would need to be enhanced to accommodate multiple daily allocation ratios for multiple class funds. Additionally, systems would need to be updated to close the daily books and records multiple times throughout the business day. Transfer Agent systems may have to develop functionality to support multiple daily prices, or they may need to develop the functionality to move existing funds from daily prices to a multiple daily price environment. It is expected that previously automated Transfer Agent processes will require conversion to manual processes as receipt of NAVs will be required. These costs will be realized in the form of additional staffing to monitor and apply NAVs to trades prior to release, reconciling and reporting cash and end of day settlements.</td></tr>
<tr><td>133</td><td>Floating NAV funds with same-day settlement</td><td>Experience/ Costs</td><td>Would an extended settlement cycle impose costs on money market fund investors? Would money market funds extend the settlement cycle or would they exercise either of [the] other options [mentioned by the staff?] Are there other options for providing same-</td></tr>
</table>

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			day settlement? What are the costs?
Response: State Street believes the only methods to provide same day settlement would be to price the fund before settlement or require a percentage holdback with respect to each redemption. The holdback can be released on the next day once the fund is fully valued. The cost for this will vary based on the transfer agents' system. For instance, DST's TA2000 system, which is used a significant number of money market funds, would require significant enhancements to accommodate multiple daily NAVs.			
134	Floating NAV funds with same-day settlement	Operations	Do commenters agree that money market funds generally could still offer same-day settlement using if required to use a floating NAV ?
Response: Yes, State Street believes the floating NAV funds could still offer same-day settlement.			
134	Floating NAV funds with same-day settlement	Operations	Are there additional costs or complications in conducting such same-day settlement for large funds than small funds?
Response: No, State Street does not believe there are additional complications with conducting same-day settlement for large funds versus small funds, other than potential size and volume differences.			
205	Liquidity fees and gates	Costs	Do commentators agree with our estimates of operational costs?
Response: State Street believes liquidity fees and gates would require minimal enhancements to our core custody/fund accounting system with minimal costs. Most systems enhancements would be required with respect to transfer agents' and intermediaries' systems. It is expected that while these systems include basic functionality to accommodate liquidity fees and gates, enhancements may be required to accommodate the specific requirements of the new rules.			
205	Liquidity fees and gates	Costs	To what extent would the estimate vary based on the event that would trigger the imposition of a liquidity fee?
Response: State Street does not believe fee estimates will vary much based on the type of event that triggered the liquidity fee or gate.			
205	Liquidity fees and gates	Operations	What systems need to be reprogrammed and to what extent?
Response: State Street's core accounting system would need to be slightly modified to accommodate liquidity fees due to the potential impact to reporting on capital stock transactions. We don't expect any significant systems modifications to accommodate redemptions gates. It is likely that transfer agent systems will require enhancement to existing fee and transaction restriction functionality.			
205	Liquidity fees and gates	Operations	What types of ongoing maintenance, training and other activities to administer liquidity would be required, and to what extent?
Response: State Street believes ongoing maintenance, training and activities will require a unified effort between the accounting agent, fund			

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administrator, custodian, transfer agent and the adviser during this type of event. Each service provider will need to adopt policies and procedures to recognize and understand who to contact during this type of event. For example, the fund administrator may need to notify the adviser, who has to present the issue to the board, who then has to determine how to proceed, unless there are board-certified contingency procedures already in place. From a training perspective, all service providers will be required to know how to react to this type of event. Most likely, these types of events will be infrequent; however, oftentimes there can be additional inherent risks in monitoring events that occur sporadically.			
208	Liquidity fees	Experience	If liquidity fees caused the fund's shadow price to exceed $1.0049, will that result cause the fund to make a special distribution to current shareholders?
Response: No. The liquidity fees would, most likely, be recorded as income to the fund and therefore be paid out to shareholders as an ordinary income distribution.			
228	Liquidity fees – disclosure requirements	Costs	We request comments on the staff's estimates of the operational costs associated with the proposed disclosure requirements.
Response: State Street believes the costs to update registration statement disclosures and the website for liquidity fees and gates would be minimal when compared to other costs. However, there will be additional costs to the funds with respect to the preparation and verification of additional data at a higher frequency for website disclosure. These costs may be passed on to shareholders.			
235	In-kind redemptions	Costs	Do commenters agree with our discussion of [the potential benefits and other economic effects [of requiring in-kind redemptions]?
Response: State Street agrees with commenters that requiring in-kind redemptions would be unworkable due to the complex valuation and operational issues that would be imposed on both the fund and on investors receiving portfolio securities. We also agree with commenters that in-kind redemptions could result in disrupting, rather than stabilizing, markets if redeeming shareholders needing liquidity were forced to sell into declining markets.			
246	Alternative 1 and Alternative 2 combo	Experience	Would a money market fund that combines a floating NAV with liquidity fees and gates continue to be treated as a cash equivalent under GAAP? If not, why not?
Response: Consistent with the discussion in the proposal (p.246) we agree with the staff's assessment that the imposition of a floating rate NAV individually or in combination with liquidity fees and redemption gates would preclude such money market funds from continuing to be treated as cash equivalents under U.S. GAAP. We believe that money funds subject to the floating NAV, liquidity fees, or redemption gates, or the combination of both alternatives ("Impacted Funds") would continue to fall under the definition of "cash equivalent" prescribed under U.S. GAAP, Financial Accounting Standards Board Accounting Standards Codification (the "Codification") paragraph 305-10-20[8] under normal			

[8] ASC 310-10-20: Cash equivalents are short-term, highly liquid investments that have both of the following characteristics:

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<tr><td colspan="4">market conditions – a cash equivalent is an investment in a short-term money market instruments (such as commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit, etc.) which is highly liquid (i.e., readily convertible to known amounts of cash) and so near its maturity that it presents an insignificant risk of changes in value because of changes in interest rates. State Street feels that a money market fund's market based NAV similarly would present an insignificant risk of changes in value due to interest rates because of the nature of its investment under the risk limiting, maturity shortening, and liquidity restrictions imposed under Rule 2a-7.

As discussed above, Impacted Funds would not materially change in value enough to preclude them from meeting the "readily convertible to a known amount of cash" criteria; furthermore, liquidity fees and/or gates are only imposed under certain infrequent occurrences which would not change the aforementioned assessment of convertibility to cash under normal circumstances. However, under the conditions which could result in a board imposing a liquidity fee and/or gate, there exists the likely possibility that regulators, auditors and practitioners could reasonably conclude that an impacted money market fund imposing a liquidity fee or gate would not be considered "readily convertible to a known amount of cash." The board could impose up to a 2% liquidity fee but could reduce that amount. As a result, and in combination with the weekly liquid assets falling below 15% of total assets, one could conclude that it is not materially estimable that the amount upon redemption request is known. The same logic holds true under the redemption gate scenario, with the addition of the "readily convertible" portion of the definition. Upon imposition of a gate, it would be reasonable to presume that the impacted fund would not be considered readily convertible to a known amount of cash.

Although, the Financial Accounting Standards Board ("FASB") has not publically commented on proposed changes to the definition of a cash equivalent, in light of the staff proposal, the Governmental Accounting Standards Board ("GASB") has postponed deliberations in its Fair Value Measurement and Application Project[9] on the definition of "2a-7-like" until the SEC's proposal on money market reform has a determinable outcome. It would be reasonable to conclude, given GASB's proximity and interconnectivity to FASB, that FASB is aware of this issue and will likely take up deliberation on the Codification definition in the near future.</td></tr>
<tr><td>246</td><td>Alternative 1 and Alternative 2 combo</td><td>Experience</td><td>Would a combination of the alternatives create any additional accounting or any novel tax issues?</td></tr>
</table>

a. Readily convertible to known amounts of cash
b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less qualify under that definition. Original maturity means original maturity to the entity holding the investment. For example, both a three-month U.S. Treasury bill and a three-year U.S. Treasury note purchased three months from maturity qualify as cash equivalents. However, a Treasury note purchased three years ago does not become a cash equivalent when its remaining maturity is three months. Examples of items commonly considered to be cash equivalents are Treasury bills, commercial paper, money market funds, and federal funds sold (for an entity with banking operations).

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Response: As discussed in the money market proposal and in in the ICI Comment Letter from the 2010 proposal[10] the floating rate NAV alternative would potentially have the following tax and accounting issues:

Tax Issues:

- A floating rate NAV would potentially subject investors to the "wash sale rules.[11]" Investors would have to consider the timing of purchases and sales of shares of money market funds, as they must with other investment options, to comply with the wash sale rule. If money market funds had a floating NAV, all share sales become reportable events for tax purposes, significantly increasing investors' tax and recordkeeping burdens. We note that the Internal Revenue Service ("IRS") issued a proposal in Notice 2013-48[12] that, if adopted, would provide money market funds relief from the wash sale rules under certain described circumstances. However, we also note that in applying this relief impacted funds would incur an increased burden in ensuring that their transactions meet the described circumstances in which such sales would not be considered wash sales. Consequently, impacted funds could have certain transactions which would remain subject to the wash sale rules that were not previously subject to the wash sale rules, thus further increasing the investor's tax and recordkeeping burden.
- As acknowledged in the Release, investors buying and selling shares at a stable NAV have no taxable capital gains. Under the floating NAV proposal investors would be subject to capital gain and loss events, which would increase their tax and recordkeeping burden. Some of the burden may be reduced if, as mentioned in the Release, the Treasury Department and the IRS modify forms and guidance to allow net information reporting by funds of realized gains and losses for sales of money market fund shares and allow summary income tax reporting by shareholders.

Accounting Issues:

- As discussed above, money market funds currently qualify as "cash equivalents" under U.S. GAAP. Although we believe this qualification should not change under normal circumstances as mentioned above, it is possible that FASB may reconsider the inclusion of such vehicles in the Codification definition. If this change occurs there would be additional financial reporting and compliance requirements, thus increasing the burden on financial reporting practitioners.

In the current stable NAV environment, there is no requirement for investors to recognize gains or losses for financial accounting and tax

[10] See reference, http://www.sec.gov/comments/s7-11-09/s71109-117.pdf
[11] IRS Wash Sale Rules, http://www.irs.gov/publications/p550/ch04.html#en_US_2012_publink100010601; these rules prevent investors from using losses on the sale of a security to offset gains if the sold security had been purchased within a 61 day period (30 days prior to and subsequent to trade date). Money market funds under the current rules are not subject to these rules as a result of the stable net asset value.
[12] See IRS Release: http://www.irs.gov/pub/irs-drop/n-13-48.pdf.

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purposes. Under the proposed floating NAV environment, more complicated accounting standards would apply for financial reporting purposes. Investors in floating rate NAV funds would face the additional burdens of tracking the cost basis of their money market fund shares and matching purchases and redemptions in order to calculate gains and losses for tax and accounting purposes.			
250	Alternative 1 and Alternative 2 combo	Costs	Would there be any new costs associated with combining the two approaches that are not already discussed separately under each alternative?
Response: State Street does not believe there would be any new costs other than those listed by the staff from a fund accounting, custody or fund administrator point of view by combining the two alternatives.			
326	Financial support disclosure	Costs	We request comment on the staff's estimates of the operational costs associated with the proposed disclosure requirements.
Response: We agree that there would be minimal costs to review and update the historical disclosures in the registration statement, including printing costs and costs for updating the website. The costs of disclosure of financial support in the prospectus, SAI and on a website should be minimal because the information would be required so infrequently.			
334	Website disclosure	Costs	We request comment on the staff's estimates of the operational costs associated with the proposed disclosure requirements.
Response: State Street does not agree with the staff that because money market funds currently must calculate the percentage of their assets that are invested in daily liquid assets and weekly liquid assets each day for purposes of compliance with the portfolio liquidity provisions of rule 2a-7, funds would incur no additional costs in obtaining this data for purposes of the proposed disclosure requirements. Due to the inherent risks associated with public disclosure, there will be enhanced controls required with respect to the daily public dissemination of daily and weekly liquid assets and the risks of shareholders making redemption decisions in reliance on that information and some adds to staff to calculate and review the daily and weekly liquid assets.			
341	Daily disclosure of NAV	Costs	We request comment on the staff's estimates of the operational costs associated with the proposed disclosure requirements.
Response: State Street agrees with the staff that some money market funds presently publicize their current NAV per share daily on the fund's website and will incur few additional costs to comply with the proposed disclose requirements. Additionally, we agree with the staff's estimates for the ongoing costs for providing a depiction of the fund's current NAV each business day.			
343	Disclosure of portfolio holdings	Costs	We request comment on the staff's estimates of the operational costs associated with the proposed disclosure requirements.
Response: State Street believes disclosure of an additional maturity date or market value of securities should not cause a significant cost increase for disclosure purposes as long as the information is made available from relevant accounting systems.			

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<table>
<tr><th>Page Number</th><th>Type of Issue</th><th>Category</th><th>Question from the Release</th></tr>
<tr><td>351</td><td>Daily disclosure of NAV</td><td>Operations</td><td>In particular, we request comment on our assumption that money market funds would generally use the same software or service providers to calculate the fund’s current NAV per share daily that they use to prepare and file Form N-MFP.</td></tr>
<tr><td colspan="4">Response: All funds for which State Street prepares the Form N-MFP have outsourced their accounting operations to State Street. Our expectation is that funds would utilize the same software and service provider to calculate the daily NAV per share that they use for preparing Form N-MFP.</td></tr>
<tr><td>360</td><td>Disclosure of NAV deviation on Form N-CR</td><td>Experience</td><td>How frequently should we expect to receive reports based in the [¼ of 1% or greater deviation between current NAV and stable NAV] threshold?</td></tr>
<tr><td colspan="4">Response: During the September 2008 failure of Lehman Brothers Holdings, a large number of money market funds had a ¼ of 1% or greater deviation between the amortized-cost NAV and the market NAV. During times of market stress similar to the 2008 crisis, our expectation is that the percentages would be similar. However, during periods of normal market activity, our expectation is that that a¼ of 1% or greater deviation between stable NAV and market NAV would be infrequent.</td></tr>
<tr><td>378</td><td>Form N-MFP</td><td>Costs</td><td>Would the costs [of reporting daily NAVs] be significantly different from reporting monthly data, as is currently expected? Would the costs to funds be significantly different from reporting weekly data. . . ?</td></tr>
<tr><td colspan="4">Response: While there would be a slight increase in the work required to input or load daily or weekly NAVs, State Street does not believe there would be a significant increase in the costs associated with providing daily or weekly NAVs, instead of monthly NAVs, in Form N-MFP.</td></tr>
<tr><td>381</td><td>Form N-MFP</td><td>Experience</td><td>Is our understanding about how fund sponsors value most money market funds portfolio securities (i.e. using Level 2 measurements) correct?</td></tr>
<tr><td colspan="4">Response: Yes, State Street agrees that the majority of securities held by money market funds are disclosed as level two securities.</td></tr>
<tr><td>389</td><td>Form N-MFP</td><td>Operations</td><td>Do commenters agree that the information we should require is readily available to funds as a matter of general business practice?</td></tr>
<tr><td colspan="4">Response: Based on our experience, some of the information proposed to be required is not readily available. Fee waiver information is readily available when needed. However, the percentage of shares held by the 20 largest shareholders would need to be obtained from the transfer agent and several financial intermediaries. Fair value levels are updated periodically during the year but not monthly, and thus would need to be updated more frequently. We would also need to obtain the Legal Entity Identifier on a security level and disclose additional security identifiers (such as CIK) which are not always readily available to the preparers of Form N-MFP.</td></tr>
<tr><td>389</td><td>Form N-MFP</td><td>Costs</td><td>Are there costs associated with our new reporting requirements . . . that we have not considered?</td></tr>
<tr><td colspan="4">Response: In State Street’s estimation, the additional disclosures that will be required will at a minimum double the cost of preparing and filing the Form N-MFP. If purchases and sales information is also required, it may increase the costs even more. Additionally, unless the filing</td></tr>
</table>

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deadline is extended beyond the current five business day requirement, we would anticipate increases in staff to prepare the Form N-MFP in the compressed time period.			
392	Form N-MFP clarifying amendments	Operations	Is our understanding of current fund practices correct? Are [our proposed amendments] consistent with current fund practices?
Response: The majority of our clients accrue through the end of the month even when the month end is on the weekend although some only accrue through the last calendar day. Some funds require special processing to only accrue to month end when there is a month end that falls on a Friday or Saturday. The other items mentioned would not create a significant change in the processing of the data we provide.			
394	Form N-MFP	Operations	Do commenters believe that our five-day filing deadline continues to be appropriate?
Response: State Street would like to stress that, based on our vast experience in filing the current Form N-MFP, five business days is barely adequate to ensure the accuracy and completeness of the data currently required in that Form. The addition of significant data points to Form N-MFP would very likely increase the risk of error and untimely filings. This issue is even more important considering that the staff has recommended that the current 60-day delay in releasing the information to the public would be removed, making the filing immediately available to the public. We would strongly recommend that the staff extend the current five business day filing requirement by one business day, or ideally two business days. This would allow service providers, advisers and others enough time to ensure that the significant amount of data is accurately and completely disclosed in the Form N-MFP in a timely manner.			
396	Form N-MFP – weekly reporting	Costs	Do commenters agree with our analysis of the benefits and costs associated with increasing the frequency of reports on Form N-MFP?
Response: State Street estimates that the cost of preparing and filing Form N-MFP on a weekly basis could triple the current cost to prepare and file the Form N-MFP monthly.			
396	Form N-MFP- weekly reporting	Operations	Would funds have sufficient time to evaluate and validate data received from outside vendors?
Response: In State Street 's experience, it is a challenge to meet the five-business day requirements for preparing and filing Form N-MFP even when the information required therein is generally readily available from our fund accounting system. The addition of a significant number of new data points, many of which would need to be obtained from other third party sources, to Form N-MFP would seriously jeopardize State Street's and our clients' ability to accurately and timely produce and file Form N-MFP in the manner set forth in the Release. We do not see a significant benefit to shareholders in filing a Form N-MFP weekly, when considering the considerable cost increase.			
429	Aggregation of holdings in affiliates	Costs	Do commenters agree that . . . money market funds could readily obtain [information regarding affiliations]?
Response: Additional time would be necessary and additional data vendor cost would be incurred by the funds to research and determine affiliations on Bloomberg Ultimate Parent, for example. There may be additional data costs in determining the ultimate parent that would be			

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passed through to the funds. State Street does not see a significant increase in costs related to performing the test and we believe the staff's cost estimates are reasonable.			
454	Removal of 25% basket	Experience	As noted above, our review of Form N-MFP data suggests that most funds do not use the twenty-five percent basket. Is this correct?
Response: Yes, it is true that most funds do not use the 25% basket, which allows as much as 25% of a fund's value of securities to be subject to guarantees or demand features of a single issuer.			
457	Removal of 25% basket	Experience	We request comments . . . on whether [funds'] investments exceeded [the ten percent limit] upon acquisition . . . or if the funds' investments were below the limits at the time of acquisition but the fund later decreased in size . . .?
Response: If the 25% basket test is removed, there would be a very limited number of funds that would exceed the new 10% limit at the time of acquisition versus as a result of a later fund decrease in size.			
472	Stress testing	Experience	Should we continue to require funds with a floating NAV to stress test their portfolio? If not, why not?
Response: State Street currently provides stress testing to liquidity funds with a floating NAV. The tests allow floating NAV funds to test their ability to maintain the relatively stability of their NAV under the defined hypothetical events.			
473	Stress testing	Experience	Are we correct in concluding that funds already stress test their liquidity when testing their ability to maintain a stable NAV?
Response: State Street's Money Market Stress Testing service currently provides a range of liquidity related stress tests. These include the impact of redemption shocks on NAV and the market value of the holdings under combinations of market and redemption shocks. The staff comments that funds "already test their ability to avoid crossing a 15% liquidity asset threshold as part of their current stress tests". This specific test is not currently included in the suite of stress tests provided by State Street.			
473	Stress testing	Costs	Would there be any costs to switch to using a weekly liquid asset test instead?
Response: Yes, there will be both a development cost and on-going operational costs.			
474	Stress testing	Experience	Should we instead use a metric, such as the ability for a floating NAV fund to avoid losses greater than 25 or 50 basis points in a certain period of time? Are there other potential metrics or standards that we could use? The fund's ability to minimize principal volatility or losses?
Response: State Street currently offers stress testing to liquidity funds with a floating NAV. Examples include the ability for a floating NAV fund to avoid losses greater than 25 or 50 basis points. These tests are relatively simple modifications to the stable NAV tests. Consequently, there are no associated development costs and the test results for stable and floating NAV funds can be reviewed and compared in a consistent framework.			

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478	Stress testing	Experience	Should we require funds to test for combinations of hypothetical events in their stress testing? Instead of leaving it to the discretion of the fund, should we specify which events should be combined (e.g., increases in shareholder redemptions and increases in short-term interest rates, or increases in shareholder redemptions and a default or downgrade of a portfolio security (or security correlated to a portfolio asset class), or both)? What additional costs would funds incur for testing a combination of hypothetical events?
Response: Because stress events do not typically happen in isolation, it is important to understand how combinations of stress events may impact a fund's performance. Combinations that might be considered are those suggested by the staff and increases in shareholder redemptions in combination with increases in short-term interest rates and credit spreads.			
487	Stress testing	Costs	Would there be any additional costs for firms to stress test against a liquidity metric instead of a stable share price test?
Response: Yes, there will be both a development cost and on-going operational costs.			
487	Stress testing	Operations	How many funds would need to change their stress tests for weekly liquidity levels?
Response: The majority of funds will need to change their stress testing procedures to some degree, specifically with respect to testing weekly liquidity levels.			
492	Rule 2a-7 clarifying amendments	Experience	Do the proposed amendments comport with current practices?
Response: Not all of them. It is not typical for clients to include open sales receivables as liquid assets.			
492	Rule 2a-7 clarifying amendments	Costs	Would there be any costs to funds that may not conform to these proposed amendments?
Response: We agree that that most, if not all, money market funds currently conform to the amendments the staff is proposing. The predominant practice we see is consistent with these changes because of the positions the staff has taken in informal guidance to money market funds. Consequently, we do not anticipate a significant cost burden to the industry in conforming to these proposed changes.			
494	Rule 2a-7 clarifying amendments	Costs	Do commenters agree with our economic analysis [relating to the definition of "demand feature"]?
Response: We agree that eliminating the requirement that a demand feature be exercisable at any time on no more than 30 days' notice would clarify the operation of rule 2a-7. As mentioned in the Release, the staff expanded the notice period from seven days to 30 days for all types of demand features in 1986, and emphasized that the notice requirement was at least in part designed to ensure that money market funds maintain adequate liquidity . Furthermore, we agree with the reason that the 2010 amendments added significant new provisions to enhance the liquidity of money market funds, as set forth in section II.D.1 of the release accompanying those amendments. Therefore, it is			

unnecessary to continue to require that demand features be exercised at any time on no more than 30 days' notice. Additionally, we agree that limiting the 30-day notice requirement may improve efficiency by simplifying the operation of rule 2a-7 regarding demand features and providing issuers with more flexibility. We note that we see no additional cost to the industry should this amendment be finalized.			
496	Rule 2a-7 clarifying amendments	Experience	Is our assumption that money market funds currently determine maturity for short-term floating rate securities consistent with our proposed amendment correct?
Response: State Street does not determine maturity for short-term floating rate securities in the manner set forth in the staff's proposal on pages 494 – 496 of the Release. State Street utilizes the rate reset date for weighted average maturity regardless of security type.			
496	Rule 2a-7 clarifying amendments	Costs	Do commenters agree that our proposed amendment [to the method for determining maturity short-term floating rate securities] would likely not result in a cost to funds?
Response: From an operational perspective, we agree that there will be minimal cost related to the proposed amendment to Rule 2a-7 (d)(4), changing the maturity date of short-term floating rate securities from one day to their next demand date. However, we would note this would most likely increase impacted funds' weighted average life calculations ("WALs") across the industry, potentially resulting in additional trading costs incurred by the funds and their shareholders to realign portfolios should this change result in a WAL exceeding the current limit of 120 days.			