



July 23, 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:

We are writing to express our concern about the Security and Exchange Commission's proposed rule relating to money market mutual funds, in general, and so-called "institutional prime funds" specifically. We are particularly concerned about that part of the proposal that would require institutional prime funds to value their portfolio securities on a mark-to-market rather than an amortized cost basis.

By way of background, the Farmers Trust Company offers investment products and related services to corporate sponsors of 401(k) plans. Shares of institutional prime funds, as that term is explained in the release, are offered as a default option or as a liquidity vehicle. For example, these funds play an important role in investment menus provided to plan participants as so-called "safe" options in times of market turbulence or as repositories for the proceeds of the sale of securities pending reallocation decisions by the plan participants.

Institutional prime funds are made available to plan participants in the expectation that in foreseeable circumstances, purchases and redemptions will be effected at \$1.00 per share. Accordingly, many of our operational procedures related to recordkeeping, systems, administration and reporting have been "hard wired" into our service model at considerable cost. Structural changes to institutional prime funds, particularly the proposal by the SEC that such funds value their shares using a variable net asset value, may result in serious disruptions to our retirement business and, in our view, create substantial confusion and concern for the plan participants.

Increasing our dilemma as a provider of bundled solutions to plan sponsors and participants is the lack of availability of a comparable alternative investment. As the SEC might be aware, insurance companies have greatly reduced the offering of guaranteed investment contracts and low to non-existent loan demand has ruled out bank deposits. In addition, the proposed changes could force the elimination of institutional prime funds as "safe" selections for the investment of retirement assets and cause further confusion for plan participants with respect to selecting alternative funds for their retirement assets. This turmoil will cause anxiety among plan

participants, and plan sponsors will incur increased costs with respect to revising investment menus for retirement assets, re-educating plan participants and revising plan materials, to name a few.

In our review of the proposed rule, we have two observations that appear to trivialize the important and complex operational changes to our retirement business model if institutional prime funds are required to discontinue using amortized cost:

- Under *III. Discussion, Section A. Floating Net Asset Value, Subsection 2. Money Market Fund Pricing*, third paragraph (page 62): “. . . under our proposal, the share price at which investors purchase and redeem shares would reflect single basis point variations. We do not anticipate significant operational difficulties or overly burdensome costs arising from funds pricing shares using “basis point” rounding. . . .”

Such a gratuitous comment belies the reality of the impact and has no basis in fact.

- We are equally baffled by the comment under *III. Discussion, Section A. Floating Net Asset Value, Subsection 1-c. Redemptions During Periods of Illiquidity*, first paragraph (page 56): “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.”

In this sentence you have contradicted the basic premise on which you propose a structural change to a product that is critical to our business model and brings the critical components of a well-diversified suite of investment products to plan sponsors and plan participants.

Simply put, in almost 700 pages of narrative, the Securities and Exchange Commission has failed to make the case for abandoning the amortized cost method of valuation set forth in its proposal and their implementation will cause great harm to plan sponsors and plan participants who rely on institutional prime funds as an important source of liquidity within their retirement plans.

We support the alternative set forth in the proposal that would grant authority to the fund’s board of directors (subject to certain conditions) to suspend redemptions for a given period of time in periods of market turbulence.

Sincerely,



Henry J. Bilyk
Senior Vice President
EB Manager

cc: The Honorable Mary Jo White
The Honorable Luis A. Aguilar
The Honorable Daniel M. Gallagher, Jr.
The Honorable Troy A. Paredes