

FACT SHEET

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Summary of Key Money Market Fund Regulatory Requirements

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This chart summarizes the regulatory requirements for money market funds that are effective as of October 14, 2016.

Regulatory Requirements

Government

Retail (prime or tax exempt)

Institutional (prime or tax exempt)

Definitions A MMF that invests at least 99.5 percent of its total assets in cash, US government securities, and/or repurchase agreements collateralized fully in cash or government securities. A MMF that has policies and procedures reasonably designed to limit all beneficial owners of the fund to natural persons. A MMF that does not meet the definition of a retail or government MMF. **Valuation** Stable NAV. May continue to use the amortized cost method of valuation and/or the penny-rounding method of pricing to value its portfolio, provided the board of directors believes that it fairly reflects the market-based NAV per share. Stable NAV, same as a government MMF. Floating NAV. Any MMF not classified as a retail MMF or government MMF must price and transact in its shares based on the estimated current market value of underlying fund holdings at a NAV rounded to the fourth decimal place (e.g., \$1.0000). **Amortized Cost Method**

A MMF that uses the amortized cost method must periodically compare its price per share calculated using the amortized cost method to the price per share based on market prices or comparable substitutes that reflect current market conditions (a "Shadow Price").

If the Shadow Price deviates from the stable price by more than 50 basis points (i.e. the Shadow Price falls below \$0.9950 or rises above \$1.0050), a fund's board must promptly consider what action, if any, it should initiate (e.g., a decision to discontinue the use of the amortized cost method and price the fund's portfolio below or above \$1.00 per share ("breaking the dollar")). A MMF that breaks a dollar must price its shares in the same

manner as an institutional MMF.

Even if the deviation is less than 50 basis points, a fund's board must take appropriate action if it believes the deviation may result in material dilution or unfair results to new investors or existing shareholders.

Same as a government MMF. May not use amortized cost method of valuation, except for securities with remaining maturities of 60 days or less. **Portfolio Quality (General)** Requires a MMF to limit its portfolio investments to securities that are U.S. dollar-denominated that at the time of acquisition are eligible securities. Same Same **Portfolio Quality (Eligible Securities)** Government securities and shares of other government MMFs are eligible securities.

Government securities and shares of other MMFs are eligible securities. In addition, an eligible security is a security with a remaining maturity of 397 days or less that the fund's board determines presents minimal credit risks to the fund, considering such factors as the issuer's or guarantor's: (i) financial condition; (ii) sources of liquidity; (iii) ability to react to future market-wide and issuer- or guarantor-specific events, including ability to repay debt in a highly adverse situation; and (iv) strength of the issuer or guarantor's industry within the economy and relative to economic trends, and issuer or guarantor's competitive position within its industry.

Requires an ongoing review of whether each security (other than a government security or shares in another money market fund) continues to present minimal credit risks. Written records of reviews must be retained for three years.

Same as retail MMF. **Portfolio Quality (Guarantees and Demand Features)** A guarantee or demand feature must qualify as an eligible security, unless the fund determines not to rely on a guarantee or demand feature.

Requires notice prior to the substitution of a new guarantee or demand features.

If a demand feature is conditional, requires a determination that there is a minimal risk of an event that would terminate the demand feature and that such events can be readily monitored.

Same Same **Portfolio Maturity**

Restricts a fund to investments in securities with a remaining maturity of 397 days or less (with exceptions for certain types of securities, including variable- and floating-rate securities that have a demand feature and/or have an interest rate reset of no more than 397 days).

Requires a periodic determination that variable and floating rate securities not subject to a demand feature are reasonably expected to have market values that approximate their amortized cost value whenever their interest rate is adjusted. Written records of determinations must be retained for three years.

Requires a fund to maintain a dollar-weighted average maturity of 60 days or less.

Requires a fund to maintain a weighted average life maturity of 120 days or less without consideration of interest rate reset dates on variable-or floating-rate securities.

Same Same **Portfolio Liquidity (General)** Funds must hold sufficient liquid securities to meet reasonably foreseeable redemptions and develop procedures to identify investors

whose redemption requests may pose risks for funds. Same Same **Minimum Daily Liquidity Requirements** At least 10 percent of assets must be in "daily liquid assets:" (i) cash; (ii) Treasury securities; or (iii) securities that mature or are subject to a demand feature that is exercisable and payable within one business day. Same as government MMF for prime; N/A for tax exempt Same as government MMF for prime; N/A for tax exempt **Minimum Weekly Liquidity Requirements** At least 30 percent of assets must be in "weekly liquid assets:" (i) cash; (ii) Treasury securities; (iii) discount notes issued by federal agencies and instrumentalities with remaining maturities of 60 days or less; or (iv) securities that mature or are subject to a demand feature that is exercisable and payable within five business days. Same Same **Illiquid Securities** "Illiquid" securities, defined as any security that cannot be sold or disposed of within seven days at approximately the market value ascribed to it by the fund, cannot exceed 5 percent of the fund's total assets at the time of acquisition. Same Same **Portfolio Diversification (Issuers)** Diversification requirements do not apply to government securities.

Restricts a fund from investing more than 5 percent of its total assets in any one issuer (other than government securities); however, funds may invest up to 25 percent of their total assets in a single issuer for a period of not more than three business days.

Single state tax-exempt funds are subject to the 5 percent limit only with respect to 75 percent of total assets, but do not have the three-day safe harbor.

A fund must aggregate its exposure to affiliated entities when applying the issuer diversification limit of 5 percent. Entities will be considered affiliates for these purposes if one entity owns 50 percent or more of an entity's voting securities.

Fund must "look through" the issuer of a conduit security and treat the person ultimately responsible for payment as the issuer for purposes of diversification.

Funds may invest in other MMFs without regard for the diversification limits, provided the other funds are reasonably believed to comply with such limits.

Same as retail MMF. **Portfolio Diversification (Repurchase Agreements and Refunded Securities)**

Permits a fund to "look through" the repurchase counterparty to the underlying collateral securities for diversification purposes to the extent the collateral consists of cash items or government securities and the fund's board has evaluated the counterparty's creditworthiness.

Permits a fund to treat a refunded security as an investment in the escrowed government securities.

Same Same **Portfolio Diversification (Asset Backed Securities)** Asset-backed securities (ABS) rarely qualify as government securities.

Generally, the special purpose entity (SPE) holding the qualifying assets is treated as the issuer of its ABS. However, if 10 percent or more of the qualifying assets underlying an asset backed security are obligations of a single issuer or its affiliated entities, a fund must treat any such "10 percent obligor" as an issuer of a pro rata share of the asset backed security for purposes of diversification.

Funds must include the sponsor of an SPE that issues ABS as a guarantor, unless the fund's board determines that the fund is not relying on the sponsor's financial strength.

Same **Portfolio Diversification (Guarantees and Demand Features)** Diversification requirements do not apply to government securities.

Restricts a fund from investing more than 10 percent of its total assets in securities issued by or subject to demand features and guarantees from a single issuer. Holdings in an issuer and its affiliated entities are not aggregated for purposes of this limit.

Tax exempt funds are subject to the 10 percent limit only with respect to 85 percent of total assets, provided the issuer of the demand feature or guarantee is not affiliated with the issuer of the underlying security.

If only a percentage of the principal amount of a security is guaranteed, only that percentage is applied to the 10% limit.

Permits a fund to ignore a guarantee or demand features if it is not relied upon for purposes of quality, maturity or liquidity.

Same as retail MMFs. **Stress Testing**

Funds must periodically test their ability to maintain weekly liquid assets of at least 10 percent and to maintain a stable NAV based on specified hypothetical events including increased redemptions, increases in short-term interest rates, events indicating or evidencing credit deterioration, widening of spreads from selected benchmarks, and any additional combinations of events the adviser deems relevant.

Fund must report test results to its board, together with a summary of the significant assumptions underlying the tests, information reasonably necessary for the board to evaluate the testing and results, and an assessment of the fund's ability to withstand the events (and concurrent events) that are reasonably likely to occur within the following year.

Same as government MMF. Same as government MMF, except institutional MMF must test its ability to minimize principal volatility rather than to maintain a stable NAV. **Liquidity Fees and Gates** N/A (unless the government fund voluntarily elects to be subject to fees and gates).

Discretionary: If weekly liquid assets fall below 30 percent of total assets, a fund's board may impose a liquidity fee up to 2 percent or suspend redemptions for up to 10 business days in a 90-day period.

Required (unless the fund's board determines it would not be in the fund's interest): If weekly liquid assets fall below 10 percent of total assets, the fund must impose a liquidity fee of 1 percent.

Same as retail MMF. **Enhanced Disclosure (Advertisement and Prospectus Disclosure)**

Offering materials must include the following statement:

"You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time."

Offering materials must include the following statement:

"You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time."

Offering materials must include the following statement:

"You could lose money by investing in the Fund. Because the share price of the Fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time."

Enhanced Disclosure (Form N-CR) Requires prompt disclosure of certain events, including portfolio security defaults, sponsor support, a $\frac{1}{4}$ of 1 percent decline in the fund's market-based price, and the imposition or removal of liquidity fees and/or gates (including the factors used by the board in its decision relating to fees or gates). Same Same

Enhanced Disclosure (Website Disclosure)

Requires daily website disclosure of (as of the end of each business day during the preceding six months): the levels of daily and weekly liquid assets; net shareholder flows, and the fund's Shadow Price.

Funds also must disclose monthly portfolio information for a six-month period and information regarding sponsor support, liquidity fees or gates disclosed in any Form N-CR filed in the past year.

Same Same **Enhanced Disclosure (Statement of Additional Information (SIA))**

Requires SAI disclosure regarding any occasion during the last 10 years (which occurred after April 14, 2016) in which the MMF received sponsor support and the nature of that support. Requires SAI disclosure regarding any occasion during the last 10 years (which occurred after April 14, 2016) on which (i) the MMF received sponsor support and the nature of that support, (ii) the fund's weekly liquid assets were less than 10 percent or (iii) the fund imposed a liquidity fee and/or gate. Same as retail MMF. **Enhanced**

Disclosure (Form N-MFP) Requires a fund to report detailed monthly information useful in evaluating its risk, including the NAV per share, liquidity levels and shareholder flows, all of which is made publicly available immediately upon filing. Same Same **Changes in Credit Quality** Requires a fund to take certain actions (and its board to make certain determinations) upon the occurrence of certain adverse events, including defaults or other credit events with respect to portfolio securities. Same Same **Liquidations** If a fund has broken or is about to break the dollar, or if its weekly liquid assets fall below 10 percent, its board may permanently suspend redemptions and liquidate. Same as government MMF. If weekly liquid assets fall below 10 percent, a fund's board may permanently suspend redemptions and liquidate.

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