

Glossary of Key Terms for Money Market Mutual Fund Regulation

After several years of deliberation, the Securities and Exchange Commission (SEC) recently approved regulatory changes for money market mutual funds. The changes will take effect over a multi-year period and, when implemented, will likely affect the shareholder experience in many money market mutual funds. The final rules will require some funds to price and transact at a per-share price that changes or “floats.” In rare circumstances, some funds may impose restrictions on shareholder redemptions.

Fidelity is well prepared for the new rules. Where needed, we will make changes to our product offerings and fund operations to comply with these rules. Fidelity remains fully committed to the money market mutual fund business and to educating investors through a series of publications that discuss how these new regulatory requirements will impact various types of money market mutual funds.

The final SEC rules introduce several new terms for money market mutual fund investors, which this glossary helps define. Many of these new concepts will come into effect over time, during the implementation period.

Basis-point rounding: A method of determining a fund’s net asset value (NAV) by calculating the price per share out to four digits (\$1.0000).

Direct obligations of the U.S. government: Securities issued by the U.S. government, including U.S. Treasury bills, notes, and bonds.

Daily and weekly fund liquidity: Measures of a money market mutual fund’s ability to meet shareholder redemptions, often stated as a percentage of total money market mutual fund assets. Although not a new term, the definition of weekly liquid assets helps investors understand when redemption restrictions may be imposed.

- **Daily liquid assets:** Cash, direct obligations of the U.S. government, securities that will mature or are subject to a demand feature that is exercisable and payable within one business day, and receivables scheduled to be paid within one business day. At least 10% of a money market mutual fund’s total assets must qualify as daily liquid assets.
- **Weekly liquid assets:** Daily liquid assets, government agency discount notes with remaining maturities of 60 days or less, securities that will mature or are subject to a demand feature that is exercisable and payable within five business days, and receivables scheduled to be paid within five business days. At least 30% of a money market mutual fund’s total assets must qualify as weekly liquid assets.

Floating NAV money market mutual fund: A money market mutual fund that prices and transacts its shares out to four digits (\$1.0000). Shareholders in a floating NAV money market mutual fund

KEY TAKEAWAYS

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- Many of these new concepts will come into effect over time, during the implementation period.

For more information about the SEC’s final rules, please read the **Fidelity Investments Money Market Reform Communication Series**, to include:

- *Understanding Government and U.S. Treasury Money Market Mutual Funds*
- *Comparing Retail and Institutional Money Market Mutual Funds*
- *Comparing Stable and Floating Net Asset Value Money Market Mutual Funds*
- *Redemption Restrictions in Money Market Mutual Funds: Liquidity Fees and Redemption Gates*
- *Understanding Liquidity in Money Market Mutual Funds*



may experience a gain or loss if the per-share value of the fund changes by 1/100th of a penny (also known as a basis point). For example, if a shareholder owned 10,000 shares priced at \$1.0000, a 1 basis point change in a floating NAV fund would result in a gain or loss of \$1.00.

Government agencies: Organizations established to conduct specific government business. Securities issued by U.S. government agencies, unlike U.S. Treasuries, are not generally backed by the full faith and credit of the U.S. government.

Government money market mutual fund: Under the new rules, a money market mutual fund that invests 99.5% of its total assets in cash, government securities, or repurchase agreements collateralized by government securities. A government money market mutual fund is eligible to price and transact using a stable \$1.00 NAV, and is not subject to liquidity fees and redemption gates. A U.S. Treasury and U.S. Treasury Only money market mutual fund will fall under this definition.

Institutional money market mutual fund: A money market mutual fund that does not qualify as a retail money market mutual fund, under the new rules. An institutional fund will not limit shareholders to beneficial ownership by "natural persons" (i.e., individuals, or human beings). Institutional fund shareholders may include individuals, small businesses, or large corporations.

Liquidity fee: A redemption restriction that permits a money market mutual fund's board to impose a fee of up to 2% on shareholder redemptions if a fund's weekly liquid assets were to fall below 30%. If weekly liquid assets were to fall below 10%, a fund would be required to impose a 1% liquidity fee unless the fund's board determines that a fee is not in the best interests of the fund. The fee would be removed when weekly liquid assets return to 30% or when the fund's board determines a liquidity fee is no longer in the best interests of the fund. All fees would be payable to the fund.

Municipal money market mutual fund: A money market mutual fund that invests primarily in securities issued by state and local



Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity or visit advisor.fidelity.com for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

You could lose money by investing in a money market 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. Fidelity Investments and its affiliates, the fund's sponsor, have 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.

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governments, colleges, hospitals, universities, and other nonprofit entities, and that seeks to generate federally tax-exempt income.

Prime money market mutual fund (general purpose): A money market mutual fund that invests primarily in any eligible high-quality money market instrument as defined by SEC regulations, including U.S. government securities, commercial paper, certificates of deposit, corporate notes, and other debt investments. A prime money market mutual fund is also known as a general purpose money market mutual fund.

Redemption gate: A redemption restriction that permits a money market mutual fund's board to halt all shareholder withdrawals for up to 10 days if a fund's weekly liquid assets were to fall below 30%. The gate would be lifted when weekly liquid assets return to 30% or when the fund's board determines a redemption gate is no longer in the best interests of the fund.

Retail money market mutual fund: A money market mutual fund that limits all beneficial owners of the fund to natural persons.

Stable NAV money market mutual fund: A money market mutual fund that seeks to maintain a constant \$1.00 NAV.

U.S. Treasury money market mutual fund: A money market mutual fund that invests in cash, U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities. Because a U.S. Treasury fund will qualify as a government money market mutual fund, a U.S. Treasury money market mutual fund is eligible to price and transact using a stable \$1.00 NAV, and is not subject to liquidity fees and redemption gates.

U.S. Treasury Only money market mutual fund: A money market mutual fund that invests only in direct obligations of the U.S. Treasury. Because a U.S. Treasury Only fund will qualify as a government money market mutual fund, a U.S. Treasury Only money market mutual fund is eligible to price and transact using a stable \$1.00 NAV and is not subject to liquidity fees and redemption gates.

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