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, may 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.

**Government and U.S. Treasury money market mutual funds**

- Government money market mutual funds invest primarily in U.S. Treasury securities, government agency securities, and repurchase agreements backed by these same securities. There are four common types of money market mutual funds under current SEC regulations (see Exhibit 1, below).

- Under the new rules, government money market mutual funds will be defined as money market mutual funds that invest 99.5% of their total assets in cash, government securities, or repurchase agreements collateralized by government securities.

- U.S. Treasury money market mutual funds and U.S. Treasury Only money market mutual funds are expected to meet the new definition of a government money market mutual fund.

- As a result, government and U.S. Treasury money market mutual funds will be eligible to price and transact at a stable $1.00 net asset value (NAV). Additionally, government and U.S. Treasury money

**EXHIBIT 1: The four common types of money market mutual funds under current SEC regulations.**

<table>
<thead>
<tr>
<th>Money Market Fund Type</th>
<th>Typical Instruments Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury</td>
<td>U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.</td>
</tr>
<tr>
<td>Government</td>
<td>U.S. Treasury securities, other government securities, and repurchase agreements collateralized by U.S. Treasury or other government securities.</td>
</tr>
<tr>
<td>Municipal/Tax Exempt</td>
<td>Tax-exempt securities issued by state and local governments and non-profit entities.</td>
</tr>
<tr>
<td>Prime/General Purpose</td>
<td>Any eligible money market instrument as defined by SEC Rule 2a-7, including all types listed above as well as commercial paper, certificates of deposit, corporate notes, and other debt instruments.</td>
</tr>
</tbody>
</table>

NEW SEC RULES:

- Government money market mutual funds will be required to invest 99.5% of their total assets in cash, government securities, or repurchase agreements collateralized by government securities.

- Government and U.S. Treasury money market mutual funds are eligible to price and transact at a stable $1.00 net asset value and are not subject to liquidity fees and redemption gates.

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

- Key Money Market Fund Regulations 2014: Overview of Final SEC Rules
- Glossary of Key Terms for Money Market Mutual Fund Regulation
- 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
- Government Money Market Mutual Funds: An Attractive Option for Institutional Cash Management
- Understanding Liquidity in Money Market Mutual Funds
market mutual funds will not be subject to liquidity fees and redemption gates.1

- Typically, government and U.S. Treasury money market mutual fund liquidity levels far exceed SEC requirements. Even those fund holdings that do not technically qualify as either daily liquid assets or weekly liquid assets generally exhibit favorable liquidity characteristics compared to non-government securities.

Government and U.S. Treasury securities
- U.S. Treasury securities are direct obligations of the U.S. Treasury and include U.S. Treasury bills, notes, and bonds.
- U.S. government securities are high-quality securities issued or guaranteed as to principal and interest by the U.S. Treasury or by an agency or instrumentality of the U.S. government. U.S. government securities may be backed by the full faith and credit of the U.S. Treasury, and have the right to borrow from the U.S. Treasury, or the agency or instrumentality issuing or guaranteeing the security.
- Certain issuers of U.S. government securities, including Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, are sponsored or chartered by Congress but their securities are neither issued nor guaranteed by the U.S. Treasury.
- Government and U.S. Treasury securities generally are perceived to have the lowest credit risk in the U.S. debt markets. During past periods of market stress and uncertainty, the market value of government and U.S. Treasury money market mutual fund holdings typically has increased as investors have sought safety in high-quality securities, which has provided further support to these funds in times of crisis.

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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.

Investment decisions should be based on an individual’s own goals, time horizon, and tolerance for risk.

Past performance is no guarantee of future results.

Endnotes

1 The final rules are clear that liquidity fees and/or redemption gates do not apply to U.S. Treasury or government money market mutual funds. The SEC is allowing U.S. Treasury or government money market mutual funds to add liquidity fees and/or redemption gates to a fund, but only after shareholders receive 60 days written advance notice.

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