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U.S. Government Debt Ceiling and Fidelity Money Market Funds

Since Fidelity's founding, our mission has been to strengthen the financial wellbeing of our customers and deliver better outcomes for the clients and businesses we serve. Our unwavering commitment to serve our customers remains consistent in all market climates.

Fidelity's money market funds seek to provide security and safety for our customers' cash investments. Our experienced and dedicated team of portfolio managers have managed through previous debt ceiling debates and periods of significant market volatility. We are actively monitoring the ongoing debt ceiling discussions and positioning our money market funds accordingly. Safety and liquidity have always been, and will continue to be, our top-priority objectives in managing money market funds for our shareholders, no matter the market conditions. Our money market funds are positioned conservatively amid additional debt ceiling risks. Our funds invest in money market securities of high quality and maintain high levels of liquidity.

- Kevin Gaffney, Chief Investment Officer, Money Market Division, Fidelity Investments

Q&A

Q1: What can you tell me about the agreement reached to raise the debt ceiling?

A1: On June 3, 2023, President Biden signed into law the bipartisan Fiscal Responsibility Act, which extends the debt limit for two years and establishes new discretionary spending cuts.

Q2: What does this mean for investors holding U.S. Treasuries?

A2: With the agreement passed by Congress and signed into law by the President, the debt ceiling is increased until January 2025, and the risk of default is deferred until January 2025, when Congress must address the debt ceiling again.

Treasury securities are explicitly guaranteed by the full faith and credit of the U.S. government. U.S. Treasury securities are currently rated AAA by Moody's. S&P currently rates treasury securities AA+. Ratings are contingent on the continued economic health of the United States. Budget deficits leading to high levels of indebtedness, and other factors impacting the U.S. government's ability to meet its credit obligations, could affect the rating agencies' analysis of the U.S. government's ability to manage its long-term debt obligations.

Q3: What does this mean for investors holding government money market funds?

A3: Consistent with federal regulations, money market mutual funds (including the Fidelity® Government Money Market Fund, whose symbol is [SPAXX](#); or Fidelity Government Cash Reserves, [FDRXX](#)) invest in debt securities with short maturities and minimal credit risk. Fidelity's money market funds seek to provide security and safety for our customers' cash investments. We place a strong emphasis on managing money market funds with sufficient liquidity to give you access to your cash on a daily basis, no matter the market conditions.

Our portfolio managers have managed the Fidelity funds through previous debt ceiling debates and periods of significant market volatility. We position our money market funds conservatively, including through any debt ceiling negotiations from time to time.

For more detailed fund information, you can view the research page and prospectus link for any fund by entering the symbol in the "Search or get a quote" box on Fidelity.com (or SPAXX by [visiting this link](#)). The "Composition" tab shows how the fund has allocated its portfolio across different types of securities as well as the fund's liquidity levels, and by following the prospectus link you can see the specific individual securities held in its portfolio.

General Debt Ceiling Questions

Q4: What is the debt ceiling?

A4: The federal debt ceiling is a limit set by Congress on the amount of money that the U.S. Treasury can borrow to fund the government's operations, including making principal and interest payments on U.S. Treasury securities.

If U.S. government national debt levels bump up against the ceiling, then the Treasury Department must resort to other extraordinary measures to pay government obligations and expenditures until the ceiling is raised again. The debt ceiling has been raised or suspended numerous times over the years to avoid a default by the U.S. Treasury on its debt; if no compromise is reached, the government may decide to technically suspend the debt ceiling for a specific period or indefinitely, until an agreement is reached that would reimpose a limit at a higher level.

Q5: What can you tell me about the "extraordinary measures" that the Department of the Treasury took leading up to the 2023 debt ceiling compromise?

A5: Since January 19, 2023, the U.S. Department of the Treasury took "extraordinary measures" to continue to pay the nation's bills and extend nation's borrowing authority.

Examples of extraordinary measures include suspending the sale of state and local government securities, halting contributions to certain government pension funds including the Thrift Savings Plan, and borrowing from money set aside to manage exchange rate fluctuations.

Q6: What would be the consequences of a failure by the U.S. Congress to raise the debt ceiling?

A6: By law, once the debt ceiling is reached and extraordinary measures are exhausted, the United States cannot borrow additional money to meet its expenditures.

Reaching the debt ceiling could lead to a technical default for the country. This practically would result in the U.S. government not being able to make payments on U.S. Treasuries, which could result in market impact. Such a situation could also cause some credit rating agencies to downgrade the ratings on long-term U.S. Treasury debt and inflict broader market volatility.

Q7: How would Fidelity's fund management operations have been affected if the U.S. defaulted or missed a payment on its debt?

A7: Fidelity maintains and regularly enhances detailed contingency plans for settlement, collateral management, and payment processing. These plans would incorporate standard industry practices that address any delay in U.S. Treasury debt payments.

Q8: How did Fidelity's bond funds prepare during the debt ceiling debate?

A8: We continuously evaluate market conditions and position our bond funds accordingly. Fidelity has extensive experience in managing through volatility and Fidelity's taxable and municipal bond portfolios are positioned appropriately, to source liquidity as needed to meet redemptions and/or to reposition opportunistically to take advantage of shifting security valuations.

Money Market Fund Questions

Q9: How are Fidelity money market funds positioned to withstand ongoing market volatility?

A9: Safety and liquidity have always been, and will continue to be, our top-priority objectives in managing money market funds for our customers, no matter the market conditions. Our money market funds are positioned conservatively. Our funds invest in money market securities of high quality and maintain high levels of liquidity.

Q10: Do any Fidelity money market funds have allocations to direct U.S. Treasury holdings?

A10: Current taxable fund allocations to direct U.S. Treasury holdings, if applicable, are available on individual fund pages online.

Q11: What is a repurchase agreement (repo)? What is repo "collateral"?

A11: A repurchase agreement is a contract between a buyer and a seller for the sale and future repurchase of securities. On the effective maturity date, the seller repurchases the securities from the buyer, including a premium that is akin to accrued interest. Buying securities via repo agreements – often maturing the next day – is a relatively common practice by money market fund managers since it is generally low-risk and generates short-term income and liquidity for the fund.

Collateral refers to the type of eligible securities subject to the repo agreement. Collateral for Treasury repos is limited to securities issued by the U.S. Treasury, whereas collateral for government repos can include Treasury securities as well as securities issued or guaranteed by government agencies, including, among others, Fannie Mae, Freddie Mac, and the Federal Home Loan Bank. (Non-traditional repos involve a wider range of collateral.)

Fidelity's money market funds only invest in repurchase agreements with the highest-quality financial institutions, ones that we would approve on an unsecured basis. The underlying collateral is repriced every day and must meet contractual requirements that determine the type of securities and additional margin needed

Q12: If the U.S. is downgraded or defaults on certain of its debt obligations, will Fidelity's money market mutual funds be able to hold repurchase agreements collateralized by U.S. Government securities?

A12: Yes, Fidelity's money market funds would be able to continue to hold repurchase agreements (repos) collateralized by U.S. Government securities. All repo collateral, including U.S. Treasuries, is marked-to-market daily to ensure the value of the collateral meets the required percentage above the transaction size. In addition, the funds have the right to require their repo agreement counterparties to post additional collateral. Most of the repos that Fidelity's money market funds currently hold have an overnight maturity, and the Federal Reserve (Fed) is a prominent counterparty.

Q13: Are Fidelity's U.S. Treasury and government money market funds subject to liquidity-triggered redemption restrictions ("gates or fees")?

A13: No. Fidelity's government and U.S. Treasury money market funds do not employ liquidity gates or fees for redemptions. While SEC reforms made it permissible during periods of extreme market volatility for a fund to impose a fee of up to 2% on redemptions if a fund's weekly liquid assets fall below 30% of total assets, Fidelity will not take such action.

Safety and liquidity have always been, and will continue to be, our top priority objectives in managing money market funds.

Q14: Would Fidelity's money market mutual funds be able to hold U.S. Treasury debt if the long-term or short-term government credit ratings were downgraded?

A14: Even if one or more rating agencies were to downgrade the long-term or short-term ratings on the U.S. government, money market funds would not be required to sell any government securities.

Q15: What would have been the impact to money market funds if the U.S. Treasury had defaulted?

A15: If a money market mutual fund held securities on which the U.S. Treasury defaulted on the payment of interest or principal, then the fund would need to sell those defaulted securities, unless the fund's board of trustees determines that disposing of the securities would not be in the best interests of the fund. The board may consider market conditions, among other factors, in making that decision.

Q16: How short is "short term" for the securities in which money market mutual funds can invest?

A16: The unique rules that govern money market mutual funds require that at least 30% of the fund's total assets must be invested in Weekly Liquid Assets, which can consist of cash, direct obligations of the U.S. government (such as U.S. Treasury bills), certain other U.S. government agency debt that is issued at a discount and matures within 60 days or less, or securities that will mature or are payable within five business days.

For taxable funds, at least 10% of the fund's total assets must be invested in Daily Liquid Assets, which can consist of cash, direct obligations of the U.S. government, or securities that will mature or are payable within one business day. The remaining investments can be in longer-term issues, provided the overall weighted average maturity of the fund is 60 days or less.

The research pages for Fidelity's money market funds have charts of the historical percentage of Weekly Liquid Assets and Daily Liquid Assets held by each Fidelity money market fund.

Additional Resources

The resources below provide more detailed information on investing in various types of money market funds (including the non-Treasury instruments they may hold), and insights related to the debt ceiling debate:

Fidelity® Institutional:

[Money Market Funds Resource Center](#)

[Understanding Liquidity in Money Market Mutual Funds](#) [Understanding Repurchase Agreements](#)

Fidelity.com:

[What are money market mutual funds?](#)

[How Fidelity manages money market funds](#)

[Understanding Liquidity in Money Market Mutual Funds](#) [Understanding Repurchase Agreements](#)

[US debt-ceiling debate heats up again](#)

[Strategies in a volatile market](#)

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

Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.

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. The Fund may impose a fee upon the 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. 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.

Fidelity's government and U.S. Treasury money market funds will not impose a fee upon the sale of your shares, nor temporarily suspend your ability to sell shares if the fund's weekly liquid assets fall below 30% of its total assets because of market conditions or other factors.

The municipal market can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. A portion of the dividends you receive may be subject to federal and state income taxes. Capital gains realized by the fund generally will be subject to taxation at each level. The fund may invest in municipal securities whose interest is subject to the federal alternative minimum tax.

Interest rate increases can cause the price of money market securities to decrease.

In general the bond market is volatile, and fixed-income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.)

Current and future portfolio holdings are subject to risk.

Fixed-income securities also carry inflation, credit, and default risks for both issuers and counterparties.

Past performance is no guarantee of future results.

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