# SEC Money Market Reform

## Frequently asked questions answered

UBS Asset Management

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**What is SEC money market reform?**
As stated by the U.S. Securities and Exchange Commission (SEC), these amendments are "designed to improve the resilience and transparency of money market funds". These new rules impact all three categories of money market funds; retail, government, and institutional.

On Wednesday, July 12, 2023 the SEC voted 3-2 to amend rules governing how money market mutual funds are structured and may operate. The rules were last amended in 2016 to mitigate fund risk, enhance fund regulation and provide transparency for investors.

**What caused the SEC to reform again since 2016?**
The SEC originally proposed its reforms in December 2021 in response to the stresses experienced by money market funds in March 2020, when the onset of the COVID-19 coronavirus pandemic led to substantial redemptions, primarily from institutional prime money market funds. Adopting money market fund reform became a more significant policy priority for financial regulators both within and outside of the SEC following the stresses in the banking sector in early 2023.

**When will the changes take place?**
These reforms are NOT effective immediately. These changes will be subject to a lengthy implementation process, up to a year for some provisions, following the publication of the final rules in the Federal Register. We will keep you informed as we move through the phases of implementation.

**What are the key changes to the SEC rules?**

- The key changes include, the minimum daily liquid asset requirement will be increased from 10% to 25% of a fund's total assets. This provision does not apply to tax exempt funds. The minimum weekly liquid asset requirement will be increased from 30% to 50% of a fund's total assets. The requirement to impose fees and/or gates on redemptions when a fund falls below these percentages is being removed.

- Elimination of the language related to the temporary suspensions of redemptions. Money market funds will no longer be subject to what is commonly referred to as "gating" based on the fund's level of weekly liquid assets. Institutional (FNAV) Prime and Tax-Free money market funds are required to charge a mandatory liquidity fee in certain circumstances. This liquidity fee will only be charged if the fund has total net redemptions that day which exceed 5% of the fund's net assets and the estimate of the fund's liquidity costs are not considered de minimis (.01% or greater). Only redeeming investors will be charged the liquidity fee which will be paid to the fund.

- Retail (CNAV) Prime and Tax-Free money market funds are now required to impose a discretionary liquidity fee only if the board of the fund determines it's in the best interest of the fund.

- A new amendment addresses a potential negative interest rate environment. This allows a CNAV money market fund to reduce the number of its shares outstanding to maintain a stable share price, in addition to its existing ability to convert to a FNAV.

### What is the difference between a "floating" NAV and a "constant" NAV?

A constant NAV (CNAV) refers to a money market fund's ability to use the "amortized cost" and/or "penny rounding" method of pricing. In short, this enables money market funds to maintain a constant share price of $1.00 per share. With a floating NAV (FNAV), the share price fluctuates to reflect the daily market value of the underlying investments the fund owns. The fund's NAV is expressed in a four decimal format (for example $1.0001). Institutional Prime and Tax Free money funds are mandated to have a FNAV.

### How will these changes affect my UBS money market funds?

We continue to evaluate our existing liquidity management offerings and will provide updates over the next several months.

### What funds are affected and why?

All money market funds are affected by some portion of the reform. The mandatory liquidity fees only impact institutional prime and tax-free funds.

### Where can I learn more?

Please visit our **Money Market Reform Info page** on our website to keep up to date with the current situation. We will continue to provide updates as more information becomes available over the coming weeks and months.

### What do I need to do?

No immediate action is required. Further decisions and clarifications are expected from the SEC, the IRS, and relevant accounting bodies, and we expect to provide additional updates as more information becomes available over the coming weeks and months.

Please contact us with any questions.


- Tom Cameron, Liquidity Sales Specialist
  +1 212 882-5254
  thomas.cameron@ubs.com

- Flora Bartosik, Liquidity Sales Specialist
  +1 212 882-5218
  flora.bartosik@ubs.com


For daily yields and additional information about our offerings, please visit **ubs.com/usliquidity**

**For more information**
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Current and future portfolio holdings are subject to risk.

UBS Asset Management (US) Inc., the Fund's placement agent, is an affiliate of UBS-AM. UBS-AM is registered with the SEC as an investment advisor. UBS-AM is an indirect wholly owned subsidiary of UBS Group AG

**For CNAV Money Market Funds**
You could lose money by investing in money market funds. Although certain money market funds seek to preserve the value of your investment at $1.00 per share, they cannot guarantee they will do so. An investment in any money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds' sponsor has no legal obligation to provide financial support to them, and you should not expect that the sponsor will provide financial support to money market funds at any time.

**For FNAV Money Market Funds**
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. Also, 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. 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.

**Not FDIC insured. May lose value. No bank guarantee.**

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UBS Asset Management (Americas) Inc., 787 Seventh Avenue , New York, NY 10019
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