

# SEC Money Market Reform

Update from the Cash and Liquidity Management team  
UBS Asset Management

12 July 2023

On Wednesday, July 12, 2023 the U.S. Securities and Exchange Commission (SEC) voted 3-2 to amend rules governing how money market mutual funds are structured and may operate. These reforms are NOT effective immediately.

## What you need to know

- 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.
- The most notable changes are:
  - The minimum daily liquidity 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 liquidity requirement will be increased from 30% to 50% of a fund's total assets. Importantly, the requirement to impose fees and/or gates on redemptions when a fund falls below these percentages (which had inhibited funds from actually using that liquidity in a crisis) is being removed.
  - A new requirement for Floating Net Asset Value (FNAV) Prime and municipal money market funds implement a liquidity fee, based on an estimate of the fund's liquidity costs, if the fund has total net redemptions that day which exceed 5% of the fund's net assets, unless those costs are de minimis.
  - Elimination of the language related to the temporary suspensions of redemptions and, therefore, money market funds will no longer be subject to what is commonly referred to as "gating".
  - A new amendment addresses a potential negative interest rate environment. This allows a Constant NAV (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. Utilization of these measures will be subject to certain board determinations and disclosures to investors.

## What you need to do

- No immediate action is required as these changes are subject to a lengthy implementation process, up to a year for some provisions.
- Further decisions and clarifications are expected from the SEC, the IRS, and relevant accounting bodies, and we expect to provide further updates as more information becomes available over the coming weeks and months.
- We look forward to helping you understand these rules and their implications. Please contact us with any questions.
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**For more information**

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Current and future portfolio holdings are subject to risk.

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**For CNAV Money Market Funds**

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**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.**

**Americas**

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