

SEC Money Market Reform

Key changes you need to know
UBS Asset Management

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 ("MMMFs") are structured and may operate. Here we outline the 4 key changes.

Removal of redemption gates

What it is	Funds affected	Compliance date
– Elimination of the language related to the temporary suspensions of redemptions and, therefore, money market mutual funds will no longer be subject to what is commonly referred to as "gating".	– All MMMFs	– October 2, 2023

Reverse Distribution Mechanism (RDM)

What it is	Funds affected	Compliance date
– A new provision explicitly permitting a Constant Net Asset Value (CNAV) money market mutual fund that experiences a negative gross yield caused by negative interest rates to reduce the number of its shares outstanding to maintain a stable share price, in lieu of converting to an FNAV fund.	– All CNAV MMMFs	– October 2, 2023

Increase in daily and weekly liquidity assets requirements

What it is	Funds affected	Compliance date
– 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. – More importantly, effective October 2, 2023, the requirement to impose fees and gates when a fund falls below the weekly liquid assets threshold (which had inhibited funds from actually using that liquidity in a crisis) is being removed.	– All MMMFs	– April 2, 2024



Mandatory Liquidity fees

What it is

– A new requirement for Floating Net Asset Value (FNAV) prime and municipal money market mutual funds implement a mandatory 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.

Funds affected

– All FNAV MMMFs

Compliance date

– October 2, 2024

We look forward to helping you understand these rules and their implications. 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

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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 a bank account or a deposit of the bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. A money market fund's sponsor is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress.

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. The fund may impose a fee upon sale of your shares. An investment in the fund is not a bank account or a deposit of the bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress.

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

Americas

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