Allspring

Proposed Amendments to Rules Governing Money Market Funds

On December 15, 2021, the Securities and Exchange Commission (SEC) proposed amendments to Rule 2a-7 and certain other rules that govern money market funds under the Investment Company Act of 1940. According to the SEC's proposing release (release), the amendments are "designed to improve the resiliency and transparency of money market funds" following the liquidity stresses in the short-term credit markets experienced in March 2020. The proposed amendments include the following changes:

- **Increase portfolio liquidity requirements**
- **Remove liquidity fee and redemption gate provisions**
- **Require swing pricing for institutional funds**
- **Provide amendments to address potential negative interest rates**

Remove liquidity fee and redemption gate provisions

Currently under Rule 2a-7, a prime or tax-exempt money market fund may impose a liquidity fee or temporarily suspend redemptions if the fund's weekly liquid assets fall below 30% and the fund's board of directors determines that doing so would be in the fund's best interest. In the release, the SEC noted that in March 2020, the possibility of liquidity fees and/or redemption gates being imposed appears to have actually contributed to investors' incentives to redeem from prime money market funds. It also contributed to money market fund managers maintaining weekly liquid asset levels above the threshold, rather than using those assets to meet redemptions.

The proposed amendments would remove the fee and gate provisions from Rule 2a-7. This change would reduce investors' incentive to redeem and allow portfolio managers to use available fund liquidity during a stressed market event.

Under SEC Rule 22e-3, money market funds would still have the ability to suspend redemptions in order to process an orderly liquidation.

FUND TYPE	CURRENT DAILY/WEEKLY LIQUID ASSET REQUIREMENT	PROPOSED DAILY/WEEKLY LIQUID ASSET REQUIREMENT	CURRENT LIQUIDITY FEE/ REDEMPTION GATE	PROPOSED LIQUIDITY FEE/ REDEMPTION GATE	PROPOSED SWING PRICING	PROPOSED CONVERSION TO A FLOATING NAV DUE TO NEGATIVE YIELDS
U.S. Treasury and Government Funds	10%/30%	25%/50%	No	No	No	Yes
Retail Prime and Tax-exempt Funds	10%/30%	25%/50%	Yes	No	No	Yes
Institutional Prime and Tax-exempt Funds	10%/30%	25%/50%	Yes	No	Yes	Funds currently have floating NAV

Increase portfolio liquidity requirements

Under the proposal, minimum daily and weekly liquid asset requirements for all money market funds would be increased. The minimum daily liquid asset requirement would increase from 10% to 25% and the minimum weekly liquid asset requirement would increase from 30% to 50%. In conjunction with the removal of fees and gates, the SEC notes this would provide a more substantial and useful buffer to better equip money market funds to manage significant and rapid investor redemptions.

Swing pricing for institutional funds

The SEC is proposing to require institutional prime and institutional tax-exempt money market funds to adopt swing pricing policies and procedures that would apply when the fund experiences net redemptions. The SEC proposal would require the funds to adjust the current net asset value (NAV) per share by a swing factor reflecting spread and transaction costs associated with selling portfolio securities on days the fund has net redemptions. The swing factor would also include an estimate of market impact costs when fund net redemptions exceed a specified threshold. The rationale for this proposal is to ensure costs stemming from net redemptions are fairly allocated and do not give rise to a first-mover advantage or dilution under either normal or stressed market conditions.

Amendments to address potential negative interest rates

The proposal requires that stable NAV funds (government and retail money market funds) must convert to a floating share price if future market conditions result in negative fund yields. The proposed amendments require a stable NAV fund to determine that its transfer agent and financial intermediaries are able to process share transactions in the event that the fund has to convert to a floating NAV.

The proposed amendments also prohibit money market funds from implementing other operational responses to negative rates, such as a routine reverse stock split, reverse distribution mechanism, or other devices that would periodically reduce the number of the fund's outstanding shares to maintain a stable NAV.

For further information, please contact the Institutional Sales Desk at **1-888 253-6584**.

Floating NAV (FNAV)

For floating NAV 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 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 sponsorwill provide inancial support to the fund at any time.

Retail

For retail money market funds: You could lose money by investing in the 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 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.

Government

For government money market funds: You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. 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.

All investing involves risk, including the possible loss of principal. There can be no assurance that any investment strategy will be successful. Investments fluctuate with changes in market and economic conditions and in different environments due to numerous factors, some of which may be unpredictable. Each asset class has its own risk and return characteristics.

This material is for general informational and educational purposes only and is NOT intended to provide investment advice or a recommendation of any kind—including a recommendation for any specific investment,strategy, or plan.

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