April 2, 2024

External Q&A
Money Market Mutual Fund Regulatory Reform

Overview:

- On July 12, 2023, the Securities and Exchange Commission (SEC)—the primary regulator of money market mutual funds ("money market funds" or "MMFs") — adopted amendments to Rule 2a-7 and other rules that govern money market funds under the Investment Company Act of 1940 (the "new rules" or "new 2023 rule"). The new rules are in response to stresses in fixed income markets at the onset of the COVID-19 pandemic in March 2020.
- The new rules are being implemented in a phased approach that began October **2, 2023, and will continue through October 2, 2024**.
- Stability and safety have always been, and continue to be, Fidelity's top priority objectives in managing MMFs. Our MMFs seek to provide security and safety for our customers' cash investments. Our funds invest in money market securities of high quality and maintain high levels of liquidity.

Q&A

Q1: What can you tell me about the SEC's new rules?

A1: On July 12, 2023, the SEC finalized new rules for money market funds in response to stresses in fixed income markets at the onset of the COVID-19 pandemic in March 2020. The new rules include the following changes:

- Removing redemption gate provisions and the link between liquidity thresholds and liquidity fees;
- Requiring non-government money market funds to impose a discretionary liquidity fee if the fund's board determines it to be in the fund's best interests (government money market funds may opt-in to the discretionary liquidity fee);
- Requiring institutional prime and institutional municipal/tax-exempt money market funds to implement a mandatory liquidity fee under certain conditions;
- Increasing minimum daily and weekly liquidity requirements;
- Allowing stable net asset value ("stable-NAV") government and retail funds to use a reverse distribution mechanism (RDM) during a negative interest rate environment to maintain a stable share price;
- Enhancing certain reporting requirements to improve the SEC's ability to monitor and assess money market fund data.

Q2: When will the new rules be implemented?

A2: The SEC's required implementation dates for each change are displayed in the table below.

Throughout the implementation periods, we will continue to keep customers and clients well-informed in advance of any changes.

2023 Rule Reforms	Government Money Market Funds	Prime Money Market Funds	Municipal/Tax-Exempt Money Market Funds	Implementation Date
Removal of redemption gates and link between weekly liquid assets and liquidity fees	N/A	Yes	Yes	**October 2, 2023**
Permission to use RDM in negative interest rate environment	Yes	Retail Only	Retail Only	**October 2, 2023**
Discretionary liquidity fees	N/A[1]	Yes	Yes	**April 2, 2024**
Increased portfolio liquidity requirements	Yes	Yes	Yes	**April 2, 2024**
WAM and WAL calculation specification	Yes	Yes	Yes	**April 2, 2024**
Form N-CR, Form N-MFP and board reporting enhancements	Yes	Yes	Yes	**June 11, 2024**
Mandatory liquidity fees	N/A	Institutional Only*	Institutional Only*	**October 2, 2024**

**Includes institutional money market funds whose shares are not offered publicly by Fidelity Investments.*

<u>Removal of redemption gates and link between weekly liquid assets and liquidity fees</u>

Q3: What can you tell me about this rule change?

A3: Under the "fees & gates" provisions of the previous rule adopted in 2014, if a non-government money market fund's weekly liquid assets fell below 30%, the fund's board of directors could impose a liquidity fee of up to 2% of shareholder redemptions and/or temporarily suspend redemptions for no longer than 10 days in a 90-day period. If weekly liquid assets fell below 10%, the fund had to impose a liquidity fee of 1%, unless the fund's board determined it was not in the fund's best interest (or that a lower or higher fee (up to 2%) would be in the fund's best interests).

Q4: What is the impact of this rule change on MMFs?

A4: The new rule removes gates altogether and decouples the liquidity fee from a fund's weekly liquid assets. The new rule contains a modified fee framework that provides for both discretionary and mandatory liquidity fees. The discretionary liquidity fee applies

[1] Government (including Treasury) MMFs may opt into the discretionary liquidity fee. Fidelity Investments' government (including Treasury) MMFs will not impose a fee upon the sale of your shares.

to non-government money market funds; government money market funds may opt-in to the discretionary liquidity fee. Institutional prime and institutional municipal/tax-exempt money market funds will be required to impose a mandatory liquidity fee if a fund experiences net redemptions that exceed 5% of net assets on a single day (or such smaller amount of net redemptions as the board determines).

Fidelity Investments currently offers government (including Treasury), retail prime, and retail municipal/tax-exempt MMFs to the public. Fidelity Investments does not offer institutional prime or institutional tax-exempt MMFs to the public.

Q5: Is there any shareholder action required?

A5: No, shareholder action is not required.

__Discretionary liquidity fees__

Q6: What can you tell me about this rule change?

A6: The new 2023 rule retains discretionary liquidity fees for non-government money market funds, but without the tie to weekly liquid assets. Under the new rules, non-government money market funds are required to impose a discretionary liquidity fee for redeeming shareholders (not to exceed 2% of the value of the shares redeemed) if the fund's board (or its delegate) determines that a fee is in the fund's best interests. Government money market funds may opt-in to the discretionary liquidity fee. Fidelity Investments' government (including Treasury) MMFs will not impose a fee upon the sale of your shares.

Q7: What is the purpose of liquidity fees?

A7: Liquidity fees are generally designed to transfer the costs of liquidating fund securities from shareholders who remain in a fund to those who leave the fund during periods when liquidity is scarce or otherwise manage potential dilution and/or liquidity during periods of market stress.

Q8: What is Fidelity's approach for discretionary liquidity fees for Fidelity Investments MMFs ?

A8: Our non-government MMFs may impose liquidity fees during adverse market conditions. If at any time the MMF's Board of Trustees (or Fidelity Investments as its delegate) determines it is in the MMF's best interests, the MMF must impose a liquidity fee of no more than 2% of the value of the shares redeemed on all fund redemptions. Any such fee, which may be imposed as early as the same day, would remain in effect until the MMF's Board of Trustees (or Fidelity Investments as its delegate) determines that the fee is no longer in the MMF's best interests.

Liquidity fees are generally designed to transfer the costs of liquidating MMF securities from shareholders who remain in a fund to those who leave the MMF during periods when liquidity is scarce or otherwise manage potential dilution and/or liquidity during periods of market stress. The fees are payable to the MMF and any fees charged to a shareholder will fully or partially offset the gain or increase the loss realized by that shareholder upon redemption.

If discretionary liquidity fees are imposed by one of our non-government MMFs, the MMF will notify shareholders on the MMF's website or by press release.

Q9: Is there any shareholder action required?
A9: No, shareholder action is not required.

Q10: Could a discretionary liquidity fee be imposed in the middle of the day?
A10: Yes, a discretionary liquidity fee could be imposed as early as the same day as the determination has been made by the MMF's Board of Trustees (or Fidelity Investments as its delegate).

Q11: How might my non-government MMF income be impacted by a discretionary liquidity fee, if imposed?
A11: Any fees charged to a shareholder will fully or partially offset the gain or increase the loss realized by that shareholder upon redemption.

Q12: Where on the MMF website would a discretionary fee notification appear?
A12: If a discretionary fee is imposed by a MMF, the notification will appear on the MMF's web page reached through **fidelity.com** and **institutional.fidelity.com.**

Q13: Could the ability to make trades in my Fidelity brokerage account be impacted by a discretionary liquidity fee, if imposed?
A13: Fidelity Investments government MMFs offered as brokerage core/sweep options have not opted into the discretionary liquidity fee. Non-government money market funds held as a position in an account are subject to discretionary liquidity fees.

Increased portfolio liquidity requirements

Q14: What can you tell me about this rule change regarding portfolio liquidity requirements?
A14: Under the new rule, the SEC increased a taxable money market fund's minimum daily liquid asset requirement from 10% to 25% and increased the minimum weekly liquid asset requirement for taxable and municipal (tax-exempt) funds from 30% to 50%.

Q15: What is the impact on MMFs of increased portfolio liquidity requirements?
A15: All money market mutual funds are subject to the SEC's liquidity requirements. Municipal/tax-exempt money market funds continue to be exempt from the daily liquid asset minimum requirement.

Fidelity has historically positioned its money market funds conservatively with respect to liquidity. The liquidity levels of each money market fund for each day of the previous six months can be viewed on such money market fund's online research page.

Q16: Is there any action required?
A16: No, shareholder action is not required.

Q17: What is liquidity?
A17: Liquidity is defined by SEC regulations. For a money market fund, "liquidity" refers to the extent to which securities held by the fund can be quickly converted to cash.

Liquidity is a particularly important attribute of a money market fund, as it measures the fund's ability to meet near-term shareholder redemptions.

Q18: What are daily liquid assets?
A18: Per SEC regulations, daily liquid assets can be readily converted to cash in one business day. Municipal/tax-exempt money market funds continue to be exempt from the daily liquid asset minimum requirement.

Q19: What are weekly liquid assets?
A19: Per SEC regulations, weekly liquid assets can be readily converted to cash in five business days.

Mandatory liquidity fees

Q20: What can you tell me about this rule change?
A20: The new 2023 rule requires institutional prime and institutional municipal (tax-exempt) money market funds to impose a mandatory liquidity fee if a fund experiences net redemptions that exceed 5% of net assets on a single day (or such smaller amount of net redemptions as the board determines).

Fidelity Investments does not offer institutional prime or institutional municipal (tax-exempt) money market funds to the public.

Q21: When this new rule is implemented on October 2, 2024, what is the impact on Fidelity Investments MMFs?
A21: This change impacts a small number of Fidelity Investments MMFs used by other types of Fidelity Investments mutual funds. Fidelity Investments does not offer institutional prime or institutional municipal (tax-exempt) money market funds to the public.

Q22: Is there any action required?
A22: No, shareholder action is not required.

Permission for a stable-NAV MMF to use RDM (Reverse Distribution Mechanism) in negative interest rate environment

Q23: What is a negative interest rate environment and what is the impact to MMFs?
A23: Following the global financial crisis of 2008, several central banks around the world (including the European Central Bank in 2014) added negative policy rates to their toolboxes after exhausting conventional easing measures. The SEC noted in its rulemaking that negative interest rates have not occurred in the United States, and persistent gross negative yields may be unlikely to occur.

For a government or retail money market fund with a stable net asset value (a "stable-NAV MMF"), in a negative interest rate environment, the gross yield of a MMF's portfolio may turn negative, making it difficult for the fund to maintain its stable share price.

Q24: What is Reverse Distribution Mechanism (RDM)?
A24: RDM refers to a money market fund reducing the number of its shares outstanding to seek to maintain a stable NAV.

Q25: What is a stable-NAV fund?

A25: Government (including Treasury), retail prime and retail municipal money market mutual funds seek to maintain a stable $1.00 net asset value per share (NAV).

Q26: What is the impact of RDM on stable-NAV MMFs?

A26: No impact is expected for stable-NAV MMFs in a positive interest rate environment. In the unlikely occurrence of a negative interest rate environment, subject to certain board determinations and prior disclosures to investors, stable-NAV MMFs now have permission to employ RDM. Should a stable-NAV MMF employ RDM and reduce the number of shares outstanding, the value of an investor's investment would decline. For context, the Federal Reserve's policy rate stood at 5.25%-5.50% as of March 27, 2024.

Q27: Why and when would the SEC permit RDM for stable-NAV funds?

A27: In a negative interest rate environment, the gross yield of a stable-NAV MMFs portfolio may turn negative, making it difficult for the fund to maintain its stable share price. The SEC notes that in these circumstances, the fund's board may reasonably believe the stable share price does not fairly reflect market price per share, and the fund needs *either* to convert to a floating share price or utilize a Reverse Distribution Mechanism (RDM) to maintain a stable NAV per share in the event of negative interest rates, subject to certain board determinations and prior disclosures to investors.

Q28: Is there a difference in the decline in the value of shareholder's investment if a stable-NAV fund were to float its NAV versus implementing RDM in a negative interest rate environment?

A28: A stable-NAV MMF that implements RDM would continue to maintain a stable NAV and would reduce the number of shares held by an investor to offset the daily negative income accrued by the fund on its investments. The value of an investor's investment would decline if the fund reduces the number of shares held by the investor.

A MMF that floats its NAV would no longer maintain a stable NAV and instead would have a share price that fluctuates. The NAV per share would be reduced to reflect the daily negative income accruals accrued by the fund on its investments. An investor in a MMF that floats its NAV would lose money if the investor sells their shares when they are worth less than what they originally paid for them. Regardless of which option a fund selects, the decline in the value of a shareholder's investment due to the negative interest income earned by the fund would be the same.

Q29: Is there any shareholder action required?

A29: No, shareholder action is not required.

WAM and WAL calculation specification

Q30: What can you tell me about this rule change?

A30: The new rule specifies that money market funds must use the market value of each security in the fund's portfolio when calculating dollar-weighted average portfolio maturity (WAM) and dollar-weighted average life maturity (WAL). Some funds currently base calculations on the amortized cost of each portfolio security, and this change is intended to reduce inconsistencies in the data reported to the SEC.

Q31: When this new rule is implemented on April 2, 2024, what is the impact on MMFs?
A31: Fidelity stable-NAV money market mutual funds, using the amortized cost of each portfolio, will convert their calculations to use the market value of each security to meet the new rule specification.

Q32: Is there any action required?
A32: No, shareholder action is not required.

Q33: What is weighted average maturity (WAM)?
A33: The weighted average maturity is a weighted average of all the maturities of the securities held in a fund. WAM can be used as a measure of the fund's sensitivity to interest rate changes and markets changes. Generally, the longer the maturity, the greater the sensitivity to such changes. The SEC limits the overall weighted average maturity of a money market fund to 60 days or less.

Q34: What is weighted average life (WAL)?
A34: For money market funds, weighted average life is the weighted average of the life of the securities held in a fund or portfolio and can be used as a measure of the fund's sensitivity to changes in liquidity and/or credit risk. Generally, the higher the value, the greater the sensitivity. For money market funds, the difference between WAM and WAL is that WAM takes into account interest rate resets and WAL does not. The SEC limits the overall weighted average life of a money market fund to 120 days or less.

Form N-CR, Form N-MFP and board reporting enhancements

Q35: What can you tell me about this rule change?
A35: Money market fund managers frequently report fund data to the fund board and file numerous reports with the SEC. The new 2023 rule makes various changes to the reporting of certain data elements in Forms N-MFP and N-CR. These changes will impact all money market funds.

Q36: Is there any action required?
A36: No, shareholder action is not required.

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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.

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