SEC Money Market Fund Reform Recap

First American Funds is committed to keeping our investors informed about the upcoming changes to our industry as the Securities and Exchange Commission (SEC) amends the rules governing money market funds (MMFs). The amended rules are designed to improve the resilience, liquidity and transparency of MMFs.

In July 2023, the SEC voted to amend the rules governing MMFs under the Investment Company Act of 1940 (the Amendments). The Amendment changes become effective over a series of four staggered implementation dates across late 2023 and 2024. We intend to continue providing investors with the opportunity to pursue their investment solutions with the least possible impact from MMF reform and are committed to keeping you informed. Below, the fund impacts are shown at-a-glance. For investors looking for more information on each implementation date, that information follows.

Highlight Table: MMF Reform Rule Amendments

		Removal of liquidity fees	Removal of temporary gates	Negative interest rate optionality	Increased liquidity thresholds	Discretionary liquidity fee	Enhanced SEC Reporting	Mandatory liquidity fees
	Implementation Date	October 2, 2023			April 2, 2024		June 11, 2024	October 2, 2024
Fund Name	Government Obligations	-	-	Permitted; not yet implemented	√	-	√	-
	Treasury Obligations	-	-	Permitted; not yet implemented	√	-	√	-
	U.S. Treasury Money Market	-	-	Permitted; not yet implemented	√	-	√	-
	Retail Prime Obligations	√	√	Permitted; not yet implemented	√	√	√	-
	Retail Tax Free Obligations	√	√	Permitted; not yet implemented	√	√	√	-
	Institutional Prime Obligations	√	√	-	√	√	√	√

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Additional Detail on the Major Amendment Implementation Dates

Effective Compliance Date: October 2, 2023
Removal of Liquidity Fees and Redemption Gates:

As part of the SEC's 2014 money fund reforms, MMFs were given the ability to set a redemption gate or liquidity fee if it was deemed to be in the best interest of shareholders when fund liquidity fell to certain levels. Many government and treasury funds – including First American – elected not to adopt fees and gates as part of the 2014 reforms and are therefore not affected by this Amendment. However, non-government MMFs were affected.

- **What is the change:** Non-government MMFs will no longer be permitted to impose liquidity fees tied to their weekly liquid assets falling below 30% or to impose temporary redemption gates. After October 2, 2023, funds may continue to suspend redemptions only under certain conditions, such as a mechanism to facilitate a fund's orderly liquidation.

- **Why is it changing:** The SEC acknowledged that reversing the 2014 rule change and removing the tie between a fund's weekly liquid asset thresholds and the imposition of liquidity fees or redemption gates should discourage preemptive runs by shareholders and allow funds' advisers to better manage liquidity during times of market stress.

- **What shareholders will see:** Non-government MMFs have revised their prospectus filings and disclosures to remove language permitting a liquidity fee tied to liquidity thresholds or to impose temporary gates to suspend redemptions.

Negative Interest Rate Optionality

Historically, MMFs have implemented fee waivers to maintain non-negative shareholder yields in response to near zero short-term interest rates. To date, the Federal Reserve (Fed) has not set a negative interest rate policy, but other central banks have. This Amendment aims to address a "what if" scenario should the Fed set a negative interest rate in the future.

- **What is the change:** In a negative interest rate environment, stable NAV funds will be permitted to either float their NAV or use a share cancellation mechanism, also known as a reverse distribution mechanism (RDM), to maintain a stable NAV. Both options are subject to fund board determinations and require advance disclosure notifications to shareholders.

- **Why is it changing:** The SEC had been asked to further clarify how stable NAV funds could operate in a negative gross yield environment and has added flexibility to current rules for these funds to designate which method they would employ if interest rates were negative.

- **What shareholders will see:** Stable NAV funds will be required to provide timely, concise, and plain-English disclosures in advance of implementing an RDM or converting to a floating NAV. These disclosures will be in the form of revised prospectus filings and other communications to inform shareholders. We anticipate these disclosures will be forthcoming from fund families after more is known about accounting and tax implications.

Previous Rule Implementations Effective Compliance Date: October 2, 2023

Rule Amendments	Impacted MMFs	Description
Removal of liquidity fees	Non-government funds	Funds will no longer be required to implement liquidity fees if their weekly liquid assets fall below a liquidity threshold
Removal of temporary redemption gates	Non-government funds	Funds will no longer be allowed to impose temporary gates to suspend redemptions.
Negative interest rate optionality	All stable NAV funds	Stable NAV funds are now permitted in a negative interest rate environment to either convert to a floating NAV fund or use a reverse distribution mechanism (RDM) to maintain a stable NAV

SEC Money Market Fund Reform Recap

March 2024

Effective Compliance Date: April 2, 2024
Increased Liquidity Thresholds, Discretionary Fee Delegation and Other Amendments:

The April 2024 Amendments cover several different topics.

- **What is the change:**
  1. The Amendments will require MMFs to increase minimum daily and weekly liquidity levels in support of the SEC's goal to strengthen the liquidity buffers of MMFs.
  2. Discretionary liquidity fee Amendments will have additional rigor related to fee implementation and allow fund boards to delegate the implementation to a fund's adviser, subject to periodic board reviews and written guidelines.
  3. MMFs make their Weighted Average Maturity (WAM) and Weighted Average Life (WAL) calculations available to the public. These Amendments mandate how those characteristics are calculated.
  4. Stress testing is used to simulate how a MMFs will perform under various market conditions. This Amendment creates additional requirements for how these tests are performed.

- **Why are they changing:**
  1. The increased liquidity requirements are meant to ensure MMFs can provide sufficient liquidity during market stress redemption periods or during prolonged periods of pressure to secondary or dealer markets.
  2. The determination to adopt a discretionary liquidity fee will have a formal documentation process that institutionalizes the assessment process. Understanding there are many factors going into the assessment of a fee, the decision making delegation from a fund's board to its adviser is meant to ensure timely consideration and application of any liquidity fees.
  3. WAM and WAL calculations are being standardized to enhance consistency comparisons across MMF investment options.
  4. Given the increased liquidity requirements and focus on MMF's ability to manage redemption during times of stress, the stress testing requirements were adjusted accordingly.

- **What shareholders will see:** First American Funds are already managed to the higher daily and weekly liquidity level threshold requirements. These liquidity levels are posted daily to the website as part of the enhanced disclosure report. Also, First American has determined it will not apply discretionary fees to government funds, which is a continuation of current policy.

Effective Compliance Date: April 2, 2024

Rule Amendments	Impacted MMFs	Description
Increased liquidity thresholds	All MMFs*	Liquidity requirements for daily and weekly liquid assets will be increased to be at least 25% and 50% of total assets; an increase from the current rule requirements of 10% and 30%, respectively.
Discretionary liquidity fees	Non-government MMFs (Government MMFs may opt in)	The concept of a discretionary liquidity fee (up to 2%) was put in place during the 2014 Reforms, so this not a new Amendment. A discretionary fee may be charged to redeeming investors if it is determined that imposing the fee is in the best interests of the fund. What's new is that fund boards may now delegate the administrating of the fees to fund's investment advisers, subject to written guidelines and board oversight.
Standardization of funds reported maturity calculations	All MMFs	Requirement for all MMFs to calculate weighted average maturity (WAM) and weighted average life (WAL) according to the same methodology.
Stress testing liquidity metrics	All MMFs	Enhancements to the existing rules governing periodic stress testing of a fund's ability to maintain minimum levels of liquidity during stress periods.

**Tax-exempt funds are excluded from the rule amendments for daily liquidity thresholds.*

Effective Compliance Date, June 11, 2024
SEC Reporting Requirements

Public reporting disclosure forms used by MMFs will be amended to improve the transparency of fund information provided each month.

- **What is the change:** Forms N-MFP and N-CR are being amended to improve the availability, clarity, and utility of information reporting to the SEC and shareholders.
- **Why is it changing:** This Amendment is designed to improve transparency of MMFs by requiring additional disclosures about the composition and concentration of fund shareholders, fund holdings, liquidity fees, and sales by prime funds of non-maturity investments. In addition, Amendments for fund board notifications, monitoring, and engagement when funds experience a decrease in liquidity have been amended.
- **What shareholders will see:** Shareholders will have a greater ability to monitor a fund's risks and liquidity as part of the updated public filings.

Effective Compliance Date: June 11, 2024

Rule Amendments	Impacted MMFs	Description
SEC reporting updates	All MMFs	Amendments to required fund public reporting forms N-MFP and N-CR, which are used to report fund information, monthly holdings, and specific fund material events. Form updates include aligning fund disclosures with rule amendment requirements and additional disclosures to increase transparency of fund holdings, fund security sale transaction activity, shareholder concentrations and types.

Effective Compliance Date: October 2, 2024
Mandatory Liquidity Fees for Institutional Prime and Institutional Tax-Exempt Funds

During stressed market periods, historical data suggests institutional prime and institutional tax free MMFs experience heavier redemptions than retail and government funds. The Amendment allows mandatory liquidity fees to be assessed to these fund types.

- **What is the change:** Institutional prime and institutional tax-exempt funds will be subject to a new mandatory liquidity fee on redemptions when a fund's daily net redemption activity exceeds 5% of a fund's net assets - unless funds are able to determine that the liquidity costs of selling a pro-rata vertical slice of the fund's investments represents less than one basis point of the fund's NAV.
- **Why is it changing:** In March 2020, during the COVID-19 pandemic, institutional prime and tax-exempt funds experienced increased investor redemptions, which reduced funds' liquidity. The SEC believed that charging redeemers for the liquidity costs they impose on a fund would more fairly allocate these costs to redeeming shareholders, thereby addressing dilution for the remaining shareholders.
- **What shareholders will see:** A prospectus update will be made, outlining the mandatory liquidity fee requirements for institutional prime and institutional tax-exempt funds. On days a fund's net redemption activity exceeds 5% of a fund's net assets, a fund will need to determine the cost of providing liquidity to fund the redemptions. The Amendment calls for a default fee of 1% to be imposed, unless a fund can determine in good faith the actual liquidity costs to the fund. However, if liquidity costs are de minimis - defined as less than one basis point of the fund's NAV - the fund is not required to impose this fee, which is the outcome expected on most high-volume redemption days in non-stressed markets.

Effective Compliance Date: October 2, 2024

Rule Amendments	Impacted MMFs	Description
Mandatory liquidity fees	Institutional prime and institutional tax-exempt funds	A mandatory liquidity fee will need to be considered when the daily net redemptions of a fund exceed 5% of a fund's net assets. Funds will be able to not impose this fee if the cost of providing liquidity to the redeeming shareholders is "de minimis," as defined in the final rule as less than one basis point of the fund's net asset value (NAV).

Sources

SEC Fact Sheet 33-11211
SEC Final Rule 33-11211
SEC MMF Reform Proposal ic-34441
SEC Press Release, July 12, 2023

Definitions

Basis Point (bps) is one one-hundredths of a percentage point. This term is often used in describing changes in interest rates. For example, if a bond yield increases from 7.50% to 7.88%, it has moved up 38 basis points.
Floating Net Asset Value (NAV) is the dollar value of a single mutual fund share, based on the value of the underlying assets of the fund minus its liabilities, divided by the number of shares outstanding. Calculated at the end of each business day.
Liquidity is a characteristic of a security or commodity with enough units outstanding to allow large transactions without a substantial drop in price.
Net Asset Value (NAV) is a mutual funds' price per share, calculated by dividing the total market value of all the securities in its portfolio, less any liabilities, by the number of fund shares outstanding.

Disclosures

Mutual Fund Investing Involves Risk. *Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus contains this and other information: call 800-677-3863 or visit www.FirstAmericanFunds.com for a copy. Please read it carefully before investing.*

For U.S. Treasury, Treasury Obligations and Government Obligations – 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 a deposit of U.S. Bank National Association 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.

For Retail Prime Obligations and Retail Tax-Free Obligations – 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. An investment in the fund is not a deposit of U.S. Bank National Association 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.

For Institutional Prime Obligations – 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 deposit of U.S. Bank National Association 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.

Income from tax-exempt funds may be subject to state and local taxes and a portion of income may be subject to the federal and/or state alternative minimum tax for certain investors. Federal income tax rules will apply to any capital gains distribution.

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