SEC Money Market Fund Reform Recap

On July 12, 2023, the Securities and Exchange Commission (SEC) voted to amend the rules governing money market funds (MMFs) under the Investment Company Act of 1940 (the Amendments). For investors looking to learn more about the extent of the future changes, we have provided a brief summary of the most significant changes. It is worth noting that the Amendments will become effective once published in the Federal Register and have staggered implementation dates over the coming year as described below. Notably, swing pricing – a provision brought forward in the original proposal – was not adopted in the Amendments:

Sixty days after the Amendments are published

- **Institutional prime and institutional tax-exempt MMFs** will no longer be required to implement liquidity fees and redemption gates if their weekly liquid assets fall below a threshold. The SEC acknowledged that removing the tie between weekly liquid asset thresholds and the imposition of liquidity fees and redemptions should increase the resilience of MMFs by discouraging preemptive runs by shareholders. Note that many government and treasury funds – including First American – elected not to adopt fees and gates as part of the 2016 Reforms and are therefore not affected by this Amendment.

Sixty days plus six months after the Amendments are published

- **All MMFs:** Liquidity requirements for all types of MMFs will be amended to increase the daily and weekly liquid asset requirements to be at least 25% and 50%, respectively. The current rule requires each fund to hold at least 10% of its total assets in daily liquid assets and at least 30% in weekly liquid assets. Higher liquidity thresholds are expected to bolster investor confidence in the resiliency and liquidity of MMFs overall, better allow funds to meet large redemptions from liquidity buffers, and reduce redemption risk to funds during periods of market turmoil. We firmly support this Amendment and intend to voluntarily adopt the new liquidity levels immediately.

Sixty days plus 12 months after the Amendments are published

- **Retail, government and treasury MMFs** will need to update their net asset value (NAV) share pricing policies utilized in a negative interest rate environment. Under negative interest rate market conditions, these funds will need to choose whether they will utilize floating NAV share prices or implement a share reverse distribution mechanism to support their fund's stable NAV share price and disclose this to shareholders.

- **Institutional prime and institutional tax-free MMFs** will need to adopt a mandatory liquidity fee provision when net redemptions exceed 5% of a fund's net assets. Funds are not required to impose this fee to shareholders, if the liquidity costs to the fund are "de minimis" (as defined in the final rule as less than one basis point).

Since we began offering MMFs in 1982, the First American Funds have implemented all new regulatory requirements that have been mandated for the money market fund industry and these will be no different. We are positioned to adopt these MMF Amendments and intend to continue providing investors with the opportunity to pursue their investment objectives and strategies with the least possible impact.

We are committed to keeping you informed and expect to provide updates over the ensuing months as the MMF Amendments are implemented. Please contact your relationship manager with any questions.

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.
Swing pricing is a process of adjusting a fund's current net asset value ("NAV") such that the transaction price effectively passes on costs stemming from shareholder redemptions to redeeming shareholders.
Treasury is negotiable debt obligation of the U.S. government, secured by its Full Faith and Credit and issued at various schedules and maturities. The income from Treasury securities is exempt from state and local, but not federal, taxes.

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 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.

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 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.

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 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.

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.

U.S. Bancorp Asset Management, Inc. serves as investment adviser to First American Funds. The First American Funds are distributed by Quasar Distributors, LLC.