

# Money Market Fund Reform and Form N-CR

Effective July 14, 2015, money market funds are required to comply with new disclosure requirements relating to Form N-CR. We are providing the questions and answers below to help you to better understand Form N-CR as well as the events that would lead to its filing.

More information is available at [www.csimfunds.com](http://www.csimfunds.com)

- As part of the 2014 Money Market Fund (MMF) Reform Amendments, the Securities and Exchange Commission (SEC) requires all MMFs to report information on Form N-CR regarding certain material events occurring on or after July 14, 2015 and make related website disclosures.
- Form N-CR is required to be filed with the SEC only if a MMF experiences any of the material events listed below. If such an event occurs, a MMF must file an initial report on Form N-CR with the SEC within one business day of the occurrence, followed by a second more detailed filing on Form N-CR within four business days of the occurrence.
- The purpose of the Form N-CR is to provide better industry oversight and increased transparency of all MMFs.
- The Schwab MMFs are prepared to meet the disclosure requirements relating to Form N-CR should any of the material events be triggered.

## Q1. What is the Form N-CR?

A. The new Form N-CR is an important part of the amendments adopted by the SEC on July 23, 2014. This document provides MMF shareholders with additional transparency by disclosing if a MMF experienced any one of the five material events identified below. If a MMF experiences any of the material events listed below, it must file an initial report on Form N-CR with the SEC within one business day after the occurrence, followed by a second more detailed filing on Form N-CR within four business days after the occurrence. In the case of three of the events, a MMF must disclose on its website substantially the same information that is required in the initial report on Form N-CR. MMFs are required to file Form N-CR with the SEC for any material events occurring on or after July 14, 2015. Because the compliance date for the amendments relating to implementation of liquidity fees and redemption gates is October 14, 2016, a MMF will not be required to report those material events until that date.

### By July 14, 2015:

- 1. Defaults and Insolvency:** A MMF is required to file a Form N-CR with the SEC if the issuer or guarantor of a security that makes up more than one half of one percent of its total assets either defaults or becomes insolvent.
- 2. Decline in Shadow Price:** A MMF is required to file a Form N-CR with the SEC if its current NAV per share deviates downward by more than one quarter of one percent from its intended stable price of \$1.00.
- 3. Financial Support:** A MMF is required to file a Form N-CR with the SEC if it is provided with financial support by a sponsor or affiliate. In addition to filing the Form N-CR with the SEC, a MMF must also disclose this event on its website.

### By October 14, 2016:

- 4. Liquidity Fees:** A MMF is required to file a Form N-CR with the SEC if it (i) imposes a liquidity fee; or (ii) has less than 10% of its total assets invested in weekly liquid assets, regardless of whether it imposes a liquidity fee; or (iii) removes a liquidity fee. In addition to filing the Form N-CR with the SEC, a MMF must also disclose this event on its website.
- 5. Fund Redemption Gates:** A MMF is required to file a Form N-CR with the SEC if it either suspends or resumes the use of redemption gates. In addition to filing the Form N-CR with the SEC, a MMF must also disclose this event on its website.

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## Q2. How can I determine if any of the Schwab MMFs filed a Form N-CR?

A. Schwab MMFs will indicate on the MMF's "Prospectus & Reports" page on [www.csimfunds.com](http://www.csimfunds.com) that a Form N-CR was filed with the SEC for the following triggering events: Financial Support, Liquidity Fees, and Redemption Gates. A PDF in the column titled "Form N-CR" beside the affected MMF will describe the event which required that the Form N-CR be filed with the SEC.

The Form N-CR column will only appear on the "Prospectus & Reports" page if a Schwab MMF has filed a Form N-CR. The Form N-CR column will not appear unless there is an affected MMF in one of the MMF product categories.

## Q3. For what period of time will the Form N-CR notification be posted online?

A. For any of the three above material events which require online disclosure, a MMF must maintain this disclosure online for one year after having filed with the SEC.

## Q4. Are the Schwab MMFs prepared to comply with the disclosure requirements relating to Form N-CR should a filing be required?

A. Yes. The Schwab MMFs are prepared to meet the disclosure requirements relating to Form N-CR.

### DEFINITIONS

**Weekly Liquid Assets:** A MMF's total cash, direct U.S. government obligations, government agency discount notes with 60 days or less until maturity, securities maturing or subject to a demand feature payable within five business days, and receivables scheduled to be paid within five business days.

**Liquidity Fees:** If a MMF's weekly liquid assets should fall below 30%, a liquidity fee of up to 2% can be imposed on all redemptions if the Board determines that doing so is in the best interest of the fund. If a MMF's weekly liquid assets level falls below 10%, a 1% liquidity fee must be imposed on all redemptions, unless the Board determines that either (1) it is not in the best interest of the fund, or (2) imposing a lower or higher liquidity fee (subject to the 2% cap) would be more appropriate.

**Redemption Gates:** A redemption gate is the temporary suspension of redemptions in a MMF. A MMF that imposes a redemption gate would be required to lift it when weekly liquid assets return to 30%, or when the MMF's board determines it is no longer in the best interests of the MMF. MMFs are not able to impose a redemption gate for more than 10 business days in any 90-day period.

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[For more information on MMF reforms, please visit the MMF Reform Resource Center on www.csimfunds.com.](http://www.csimfunds.com)

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You could lose money by investing in a money market fund. All Schwab Money Funds with the exception of Schwab Variable Share Price Money Fund seek to preserve the value of your investment at \$1.00 per share, but cannot guarantee they will do so. Effective October 14, 2016, all Schwab Money Funds with the exception of Schwab Government Money Fund, Schwab U.S. Treasury Money Fund, Schwab Treasury Obligations Money Fund, Schwab Retirement Government Money Fund, and Schwab Government Money Market Portfolio may impose a fee upon the 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 a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The money market 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.

The Schwab Government Money Funds do not plan to implement liquidity fees or redemption gates. This includes all share classes of the Schwab Government Money Fund, the Schwab U.S. Treasury Money Fund, the Schwab Retirement Government Money Fund, and the Schwab Treasury Obligations Money Fund.

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