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# Money Market Fund Reform: What you should know



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Driven by events that occurred during the 2008 financial crisis, the Securities and Exchange Commission (SEC) implemented a series of changes to the regulations that govern money market funds. These rules were intended to increase fund liquidity and to protect investors.

## Impact of the rules

### MONEY MARKET FUND (MMF) ELIGIBILITY:

#### Investor Type vs. MMF Type

- The amendments introduced a distinction between Retail and Institutional Investors as well as Retail and Institutional MMFs.
- Generally, Retail Investors are: individual investors, end clients of registered investment advisers and participants in most 401K plans. Examples of Institutional Investors include corporations, defined benefit plans, and other entities.
- Retail Investors can invest in Retail MMFs, which are defined as funds with policies and procedures that limit beneficial ownership to those investors deemed as “natural persons.”
- Institutional Investors will be eligible to invest in Institutional MMFs with a variable net asset value (VNAV). Retail Investors may also choose to invest in these funds.
- Both Retail and Institutional Investors will be eligible to invest in Government MMFs.

	Government Money Market Funds	Prime Money Market Funds		Municipal Money Market Funds	
	GOVERNMENT AND TREASURY MONEY MARKET FUNDS	RETAIL MONEY MARKET FUNDS	INSTITUTIONAL MONEY MARKET FUNDS	RETAIL MONEY MARKET FUNDS	INSTITUTIONAL MONEY MARKET FUNDS*
<b>Retail Investors</b>	Eligible	Eligible	Eligible	Eligible	Eligible
<b>Institutional Investors</b>	Eligible	Not Eligible	Eligible	Not Eligible	Eligible

\* Currently not available at Schwab.

### MONEY MARKET FUND STRUCTURAL REFORM:

#### Liquidity Fees and Redemption Gates and Net Asset Value vs. Money Market Fund Type

- In times of exceptional market volatility and potential stress on MMFs, the amendments allow a MMF’s board of directors to impose either a liquidity fee and/or redemption gate if it is in the best interest of the fund. The Board of Trustees of the Schwab Government Money Funds has determined not to subject the funds to liquidity fees or redemption gates.
- All Government/Treasury MMFs as well as Retail Prime and Retail Municipal MMFs are exempt from the requirement to price and transact at a Variable Net Asset Value (VNAV) and will continue to be permitted to price and transact at a Constant Net Asset Value (CNAV).
- All Institutional Prime and Institutional Municipal MMFs will be required to price and transact at a VNAV per share that can change or “float” based on pricing the underlying fund holdings out to four decimal places (\$1.0000).

	Government Money Market Funds	Prime Money Market Funds		Municipal Money Market Funds	
	GOVERNMENT AND TREASURY MONEY MARKET FUNDS	RETAIL MONEY MARKET FUNDS	INSTITUTIONAL MONEY MARKET FUNDS	RETAIL MONEY MARKET FUNDS	INSTITUTIONAL MONEY MARKET FUNDS*
<b>Liquidity Fees and Redemption Gates</b>	Optional	Yes	Yes	Yes	Yes
<b>NAV</b>	Constant	Constant	Variable	Constant	Variable

\* Currently not available at Schwab.

**Charles Schwab Investment Management (CSIM) is committed to the continued success of our investors.**

While our investing discipline remains the same, our product suite was changed to satisfy SEC amendments and meet the needs of our clients. For additional details on our fund lineup, please see the table below (Figure 1).

**Figure 1: CSIM's Money Market Fund lineup**

SYMBOL	NAME	TYPE	ELIGIBLE INVESTOR	NAV	LIQUIDITY FEES/ REDEMPTION GATES <sup>1</sup>
<b>Prime Money Market Funds<sup>2</sup></b>					
SWRXX	Schwab Investor Money Fund <sup>®</sup>	Purchased	Retail	Constant	Required
SWIXX	Schwab Retirement Advantage Money Fund <sup>®</sup>	Purchased			
SWVXX	Schwab Value Advantage <sup>®</sup> – Investor Shares	Purchased			
SNAXX	Schwab Value Advantage <sup>®</sup> – Ultra Shares	Purchased			
SWZXX	Schwab Advisor Cash Reserves <sup>®</sup> – Premier Sweep Shares <sup>3</sup>	Sweep			
SWQXX	Schwab Advisor Cash Reserves <sup>®</sup> – Sweep Shares <sup>3</sup>	Sweep			
SWSXX	Schwab Cash Reserves <sup>™3</sup>	Sweep			
SWMXX	Schwab Money Market Fund <sup>™3</sup>	Sweep			
<b>Variable Share Price Prime Money Market Funds</b>					
SVUXX	Schwab Variable Share Price Money Fund <sup>™</sup> – Ultra Shares <sup>4</sup>	Purchased	Retail and Institutional	Variable	Required
<b>Municipal Money Market Funds<sup>2</sup></b>					
SWWXX	Schwab AMT Tax-Free Money Fund <sup>™</sup> – Investor Shares	Purchased	Retail	Constant	Required
SWKXX	Schwab California Municipal Money Fund <sup>™</sup> – Investor Shares	Purchased			
SWOXX	Schwab Municipal Money Fund <sup>™</sup> – Ultra Shares	Purchased			
SWTXX	Schwab Municipal Money Fund <sup>™</sup> – Investor Shares	Purchased			
SWYXX	Schwab New York Municipal Money Fund <sup>™</sup> – Investor Shares	Purchased			
SWFXX	Schwab AMT Tax-Free Money Fund <sup>™</sup> – Sweep Shares <sup>3</sup>	Sweep			
SWCXX	Schwab California Municipal Money Fund <sup>™</sup> – Sweep Shares <sup>3</sup>	Sweep			
SWXXX	Schwab Municipal Money Fund <sup>™</sup> Sweep Shares <sup>3</sup>	Sweep			
SWNXX	Schwab New York Municipal Money Fund <sup>™</sup> – Sweep Shares <sup>3</sup>	Sweep			
<b>Government Money Market Funds<sup>5</sup></b>					
SNVXX	Schwab Government Money Fund <sup>™</sup> – Investor Shares	Purchased	Retail and Institutional	Constant	N/A
SNOXX	Schwab Treasury Obligations Money Fund <sup>™</sup> – Investor Shares	Purchased			
SNSXX	Schwab U.S. Treasury Money Fund <sup>™</sup> – Investor Shares	Purchased			
SWGXX	Schwab Government Money Fund <sup>™</sup> – Sweep Shares <sup>3</sup>	Sweep			
SNTXX	Schwab Treasury Obligations Money Fund <sup>™</sup> – Sweep Shares <sup>3</sup>	Sweep			
SWUXX	Schwab U.S. Treasury Money Fund <sup>™</sup> – Sweep Shares <sup>3</sup>	Sweep			
<b>Variable Annuity Money Market Fund</b>					
SWPXX	Schwab Government Money Market Portfolio <sup>5,6</sup>	Purchased	Annuity	Constant	N/A

For more information, visit Schwab's Money Market Fund Reform Resource Center at [www.schwabfunds.com/mmmreformcenter](http://www.schwabfunds.com/mmmreformcenter)

# Definitions

**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 fund's 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 fund's 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:** 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 fund'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.

**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.

## Charles Schwab Investment Management

As one of the nation's largest asset managers, our goal is to provide investors with a diverse selection of foundational products that aim to deliver consistent performance at a competitive cost. Learn more at [schwabfunds.com](http://schwabfunds.com).

Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges, and expenses. You can request a prospectus by visiting [schwabfunds.com](http://schwabfunds.com). Please read the prospectuses carefully before investing.

**All Schwab Money Funds with the exception of Schwab Variable Share Price Money Fund:** You could lose money by investing in Schwab Money Funds. All Schwab Money Funds seek to preserve the value of your investment at \$1.00 per share, but cannot guarantee they will do so. All 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 Schwab Money Funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Schwab Money Funds' sponsor has no legal obligation to provide financial support to the Funds, and you should not expect that the sponsor will provide financial support to the Funds at any time.

**Schwab Variable Share Price Money Fund:** 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 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 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.

**Not FDIC-Insured ■ No Bank Guarantee ■ May Lose Value**

Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab Funds, and Charles Schwab & Co., Inc. (Schwab), Member SIPC, the distributor for Schwab Funds, are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation.

<sup>1</sup> Per SEC guidelines, liquidity fees and redemption gates are required for prime and municipal money market funds. For government money market funds, it is optional and at the discretion of the Board for each fund complex. At this time, the funds' Board of Trustees has elected not to implement liquidity fees or redemption gates on Schwab Government Money Funds.

<sup>2</sup> Qualifies as a "retail money market fund," which means it is available for investment by natural persons only. Accordingly, the Fund reserves the right to do the following: involuntarily redeem a shareholder's shares after providing 60 days' written notice if the shareholder does not satisfy the eligibility requirements for a retail money market fund (i.e., the shareholder is not a natural person); and deny purchase of Fund shares to investors who do not satisfy the eligibility requirements to invest in a retail money market fund (i.e., investor is not a natural person).

<sup>3</sup> Closed to new investors.

<sup>4</sup> This fund is a money market that is designed to serve as a complementary product to a traditional stable share price money market fund. Unlike a traditional stable share class price money market fund, fund will not use the amortized cost method of valuation or round the per share net asset value (NAV) to the nearest whole cent and does not seek to maintain a stable share price. As a result, the fund's share price, which is its NAV, will vary and reflect the effects of unrealized appreciation and depreciation and realized losses and gains.

<sup>5</sup> Operates as a "government money market fund" under the SEC's definition and transacts at a constant net asset value.

<sup>6</sup> Shares are available exclusively for variable annuity and variable life insurance account products.