



Money Market Reform:

How the SEC's amendments will impact your firm

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What you need to do *now* to comply with the SEC's MMF reform regulations

Preparing for Money Market Fund (MMF) reform

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Who is affected?

- **MMF providers** – Banks, brokerages, asset managers
- **MMF consumers** – Pensions, insurance companies, endowments, corporations across all industry sectors
- **MMF intermediaries** – Depository, exchanges, market data providers, regulators, MMF technology, and service providers
- **Investments advisors** – Specifically, IAs of large private money funds

What is affected?

MMF reform made major changes with regard to:

- Floating net asset value (NAV)
- Liquidity fees and redemption gates

It also impacted the following areas:

- Portfolio stress testing
- Portfolio diversification
- Disclosure/transparency
- Taxes and accounting

When to comply?

Here are the key compliance dates:

- SEC Form N-CR and related disclosures – **July 14, 2015**
- Floating NAV, fees and gates, and related disclosure – **October 14, 2016**
- SEC Forms N-MFP and PF, and other Rule 2a-7 amendments – **April 14, 2016**

When to get help?

You should get help when:

- Assessing the magnitude of MMF reform impact on you and your vendors
- Establishing your product strategy
- Developing and implementing your solutions roadmap
- Enhancing your MMF platforms

Why Money Market Fund Reform?

The Lehman Brothers collapse and the financial crises of 2008 shook financial institutions to their foundations and jeopardized the U.S and global economies. For the first time, a money market fund (MMF) “broke the buck,” with its share price falling below \$1.00.

Panicked investors—primarily institutional investors, like pension funds—began cashing out (redeeming) their MMFs. This, in turn, caused a ripple effect on the entire financial system.

- MMF providers were forced into massive, unplanned securities liquidations to meet the redemptions.
- These forced liquidations accelerated market losses, leading to further investor panic, which resulted in frozen capital markets, especially corporate paper.
- This forced the U.S. government, through the Treasury Department and the Federal Reserve Bank, to intervene and “backstop” the market.

In response, the Securities and Exchange Commission (SEC) adopted [amendments](#) to the MMF rules that are designed to (1) reduce the risk of institutional investor runs in times of financial crises and (2) increase the transparency of risks to investors. The amendments were finalized July 2014.

An overview of the changes

The SEC's amendments impact **all** money market funds, not just institutional MMFs. Here is a quick explanation of changes:

- **Product classifications** – All MMFs must be formally classified into regulatory categories (e.g., retail MMFs, government MMFs, municipal MMFs, institutional MMFs)
- **Floating NAV** – *Institutional* MMFs are required to maintain a floating NAV, which means per-share trading price will fluctuate based on the market value of the funds' underlying investments
- **Liquidity fees and redemption gates** – MMFs may or must impose liquidity fees on redemptions and may suspend (gate) redemptions during time of market stress
- **Portfolio stress testing and diversification** – MMFs must test their portfolios for liquidity, volatility, and diversification
- **Transparency** – MMFs must meet new public disclosures requirements and complete new/modified SEC forms (N-CR, N-MFP, PF)
- **Taxes and accounting** – Certain MMFs may be able to benefit from several tax and accounting breaks included in the SEC's amendments

What you need to do now – and how KPMG can help

As the date for compliance with the SEC's amendments draws near (see “When to comply?” on left), MMF firms face a variety of strategic and tactical options they can choose from. And what is appropriate for one firm may not be right for another.

KPMG LLP's (KPMG) professionals are thoroughly knowledgeable about the new amendments and have had in-depth discussions [across](#) the financial industry about what needs to be done. In addition, we have been closely monitoring industry responses to MMF reform—such as converting prime funds to government and retail funds and merging funds to bring down operational costs—and are well-positioned to provide insights, advice, and approaches to our clients in light of their individual situations.

On this page, you can learn about the services we offer and tools and technology we have developed that can help you respond to the SEC's changes in a cost-effective, timely manner and with reduced disruption to your operations. Or contact one of the individuals listed on the next page to learn more about how KPMG can help you and your firm.

KPMG's MMF reform resource center

Our MMF Reform Resource Center provides a broad range of services to firms impacted by the SEC's amendments. You can access the Center through your relationship partner or director; he or she will coordinate the delivery of all the services you need. (Alternatively, there are several other individuals you may contact if the need arises; see "For More Information" on the next page.)

The MMF Resource Center is composed of knowledgeable MMF professionals who will work with your firm to explain our extensive service offerings and tools constructed specifically for MMF reform, discuss our industry insights, and provide appropriate, customized offerings.

KPMG's MMF reform service offerings

KPMG has a full life cycle service offering to assist impacted MMF firms at any stage of their response to MMF reform. Our service offerings are organized into a phased delivery approach:

- **Current state assessment** – Gather and identify your current MMF capabilities
- **Gap analysis** – Gather MMF business requirements and conduct a MMF reform gap analysis
- **Visioning and product advice** – Assist you in formulating a business response and product strategy
- **Customized operating model** – Work with you to develop an operating model designed to help your firm respond to the new MMF reform rules
- **Transformation road map** – Help in creating thorough transformation approaches and an execution road map
- **Design creation/validation** – Assist you in producing initial design specifications or validating your vendor's design
- **Transformation execution** – Help you execute on the road map and assist in detecting where your platform can be improved
- **Transition to business as usual** – Work with you to implement and monitor the transformation effort to help ensure that your firm remains in compliance

KPMG's MMF reform tools and accelerators

We have developed a rapid engagement framework that enables us to assist firms in their response to the MMF reform rules. This framework allow us to quickly assess the magnitude of the impact the changes have on your firm and assist you in creating the appropriate strategic approaches. Our tools and accelerators include:

- **Deconstructed MMF reform requirements** – We have separated the MMF reform regulations into hundreds of business and functional requirements to help you accelerate your project launch.

- **MMF assessment framework** – Our rapid assessment tools allow us to help you determine the impact of MMF reform on your technology, operations, and vendors.
- **MMF delivery matrix** – We have prepackaged a full life cycle project methodology to organize and accelerate the delivery of changes needed to respond to MMF reform.
- **MMF delivery framework** – We have developed a prepackaged project framework, so you may immediately launch efforts to comply with the MMF reform requirements.
- **Technology heat map** – Our resources and capabilities enable you to determine the scale of technology transformation needed for your firm to address the MMF reform rules.
- **Reference architecture** – Our reference architecture allows you to map leading practices of people, processes, technology, and data for MMF reform requirements, including intraday floating NAV, redemption fees and gates, and portfolio diversification.

KPMG's MMF Reform Program

We have a dedicated service center and assessments framework to help MMF firms respond rapidly and develop solutions to address the SEC's new MMF reform rules.

Our approach encompasses deep, cross-functional knowledge of:

- Product management
- Tax, regulatory, and compliance rules and requirements
- Technology and operations
- Industry leading practices

We combine this knowledge with insights and advisory capabilities spanning the entire MMF industry supply chain.

Our Differentiated Approach

KPMG's approach to the MMF reform changes enables us to provide MMF firms with a greater range of options and key benefits:

- **Achieve understanding:** Our deep understanding of the MMF reform regulations allows us to offer precision advice and strategies.
- **Rapid engagement framework:** Our prepackaged MMF reform framework, business requirements, and toolkit enable clients to quickly launch or accelerate their MMF reform projects.
- **Holistic approach:** Our MMF Reform Resource Center allows us to provide holistic, cross-functional, and full life cycle advice.
- **Risk reduction:** Our resources, industry insights, direct MMF experience, and tailored service offerings help you respond to regulatory requirements and reduce the risks of noncompliance.

For More Information

For additional information about KPMG's MMF Reform program, please contact:

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