

MEMORANDUM

To: Money Market Reform Proposal File

From: Sarah G. ten Siethoff
Senior Special Counsel, Division of Investment Management

Date: August 16, 2013

Re: Meeting with Representatives from Fidelity

On August 16, 2013, Craig Lewis, Director, Division of Economic and Risk Analysis (DERA), Woodrow Johnson of DERA, Dan Hiltgen of DERA, and Sarah ten Siethoff, Senior Special Counsel, Division of Investment Management met with Nancy Prior (President, Money Markets), Kevin Meagher (SVP, Deputy General Counsel), Sean Verbout (Managing Director of Quantitative Research) and James Febeo (SVP, Head of Regulatory Affairs), representatives of Fidelity. The representatives discussed the Commission's proposal on money market fund reform and the attached slides.

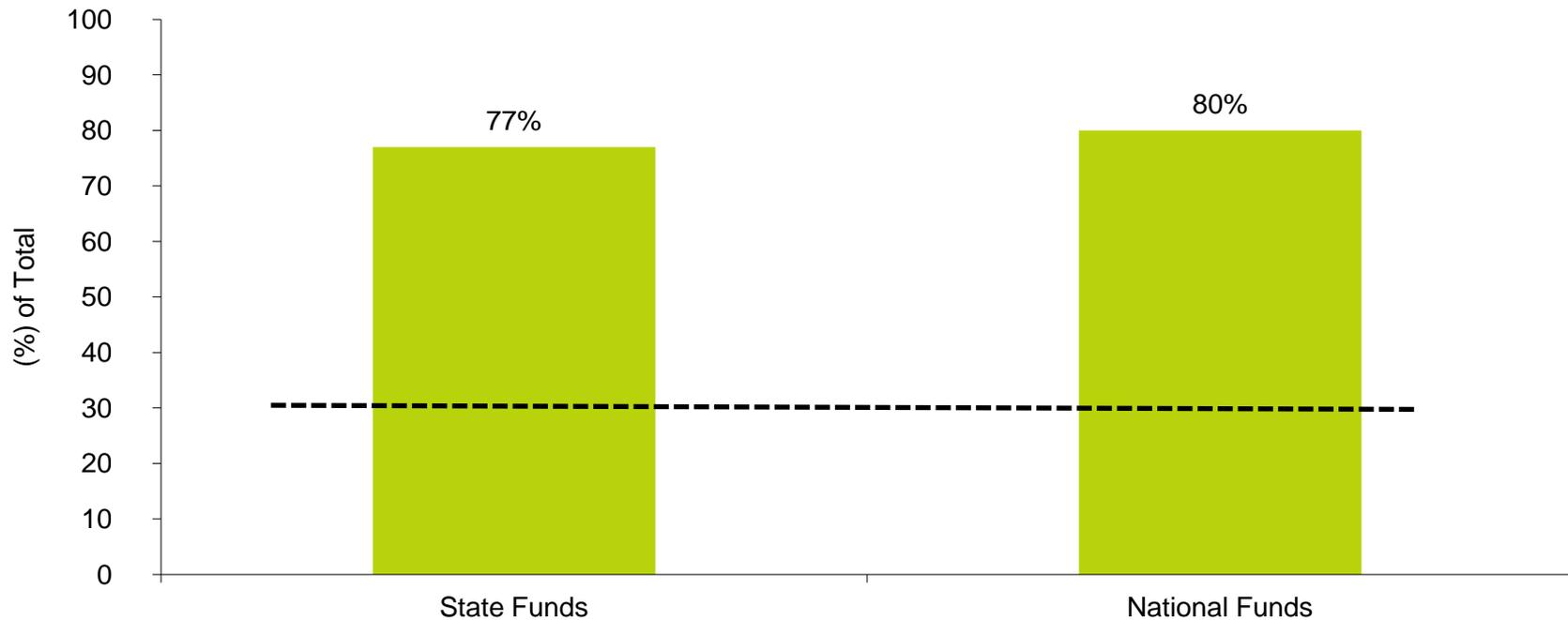


▶ Money Market Mutual Fund Reform

August 16, 2013

▶ Municipal MMFs Have Significant Liquidity

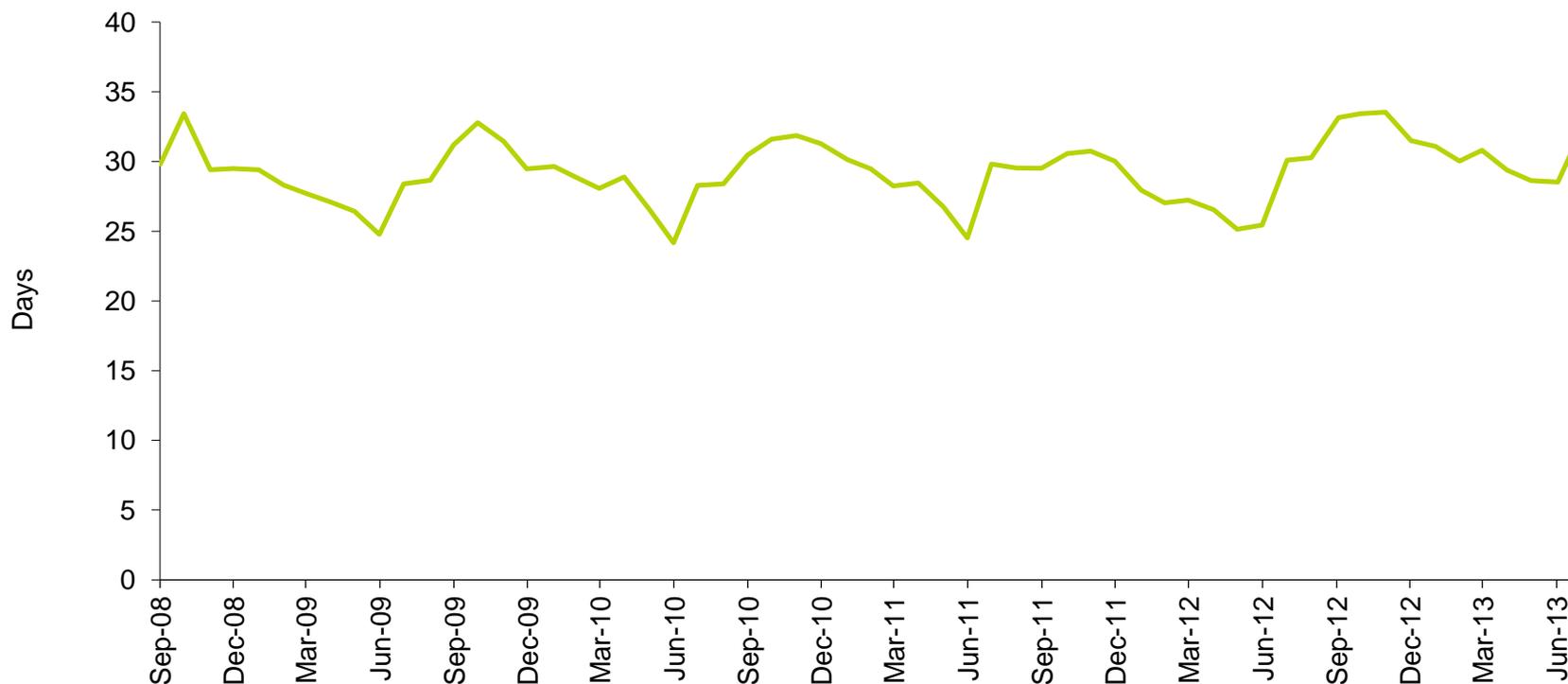
INDUSTRY MUNICIPAL MMF PERCENT OF HOLDINGS IN 7-DAYS OR LESS



Source: Crane Data as of 06/30/13

▶ Municipal MMFs Have Low Interest Rate Risk

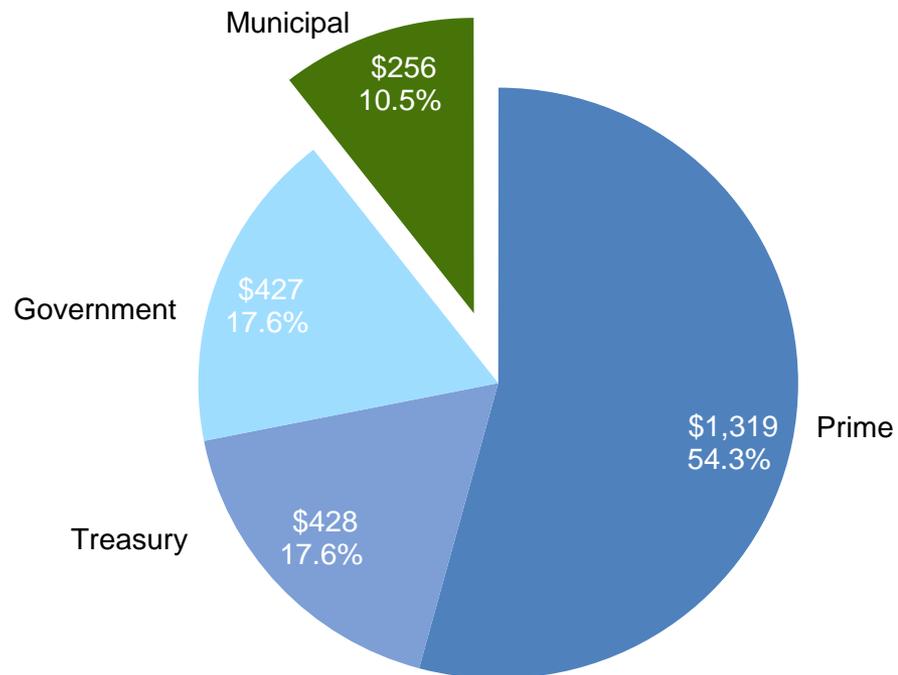
INDUSTRY MUNICIPAL MMF PORTFOLIO DOLLAR WEIGHTED AVERAGE MATURITIES



Note: Represents the nominal average of all Tax-Free MMFs as of the first business day of the month.
Source: iMoneyNet as of 07/01/13

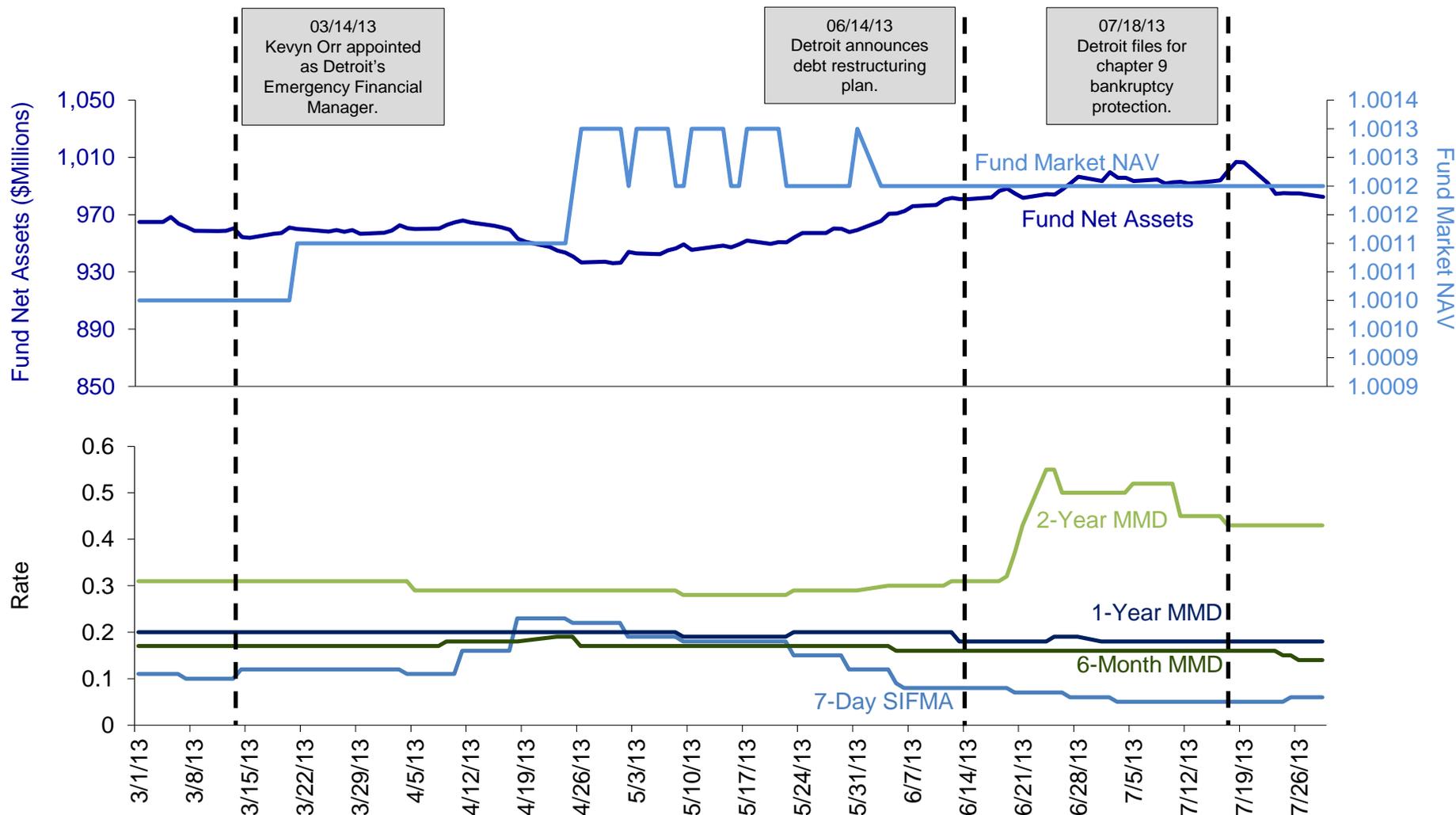
▶ Size of Municipal MMFs is Not Systemic

MUNICIPAL MMF AS A PERCENT OF TOTAL MMF INDUSTRY
Total Assets \$2,430 Billion



Source: Crane Data as of 06/30/13

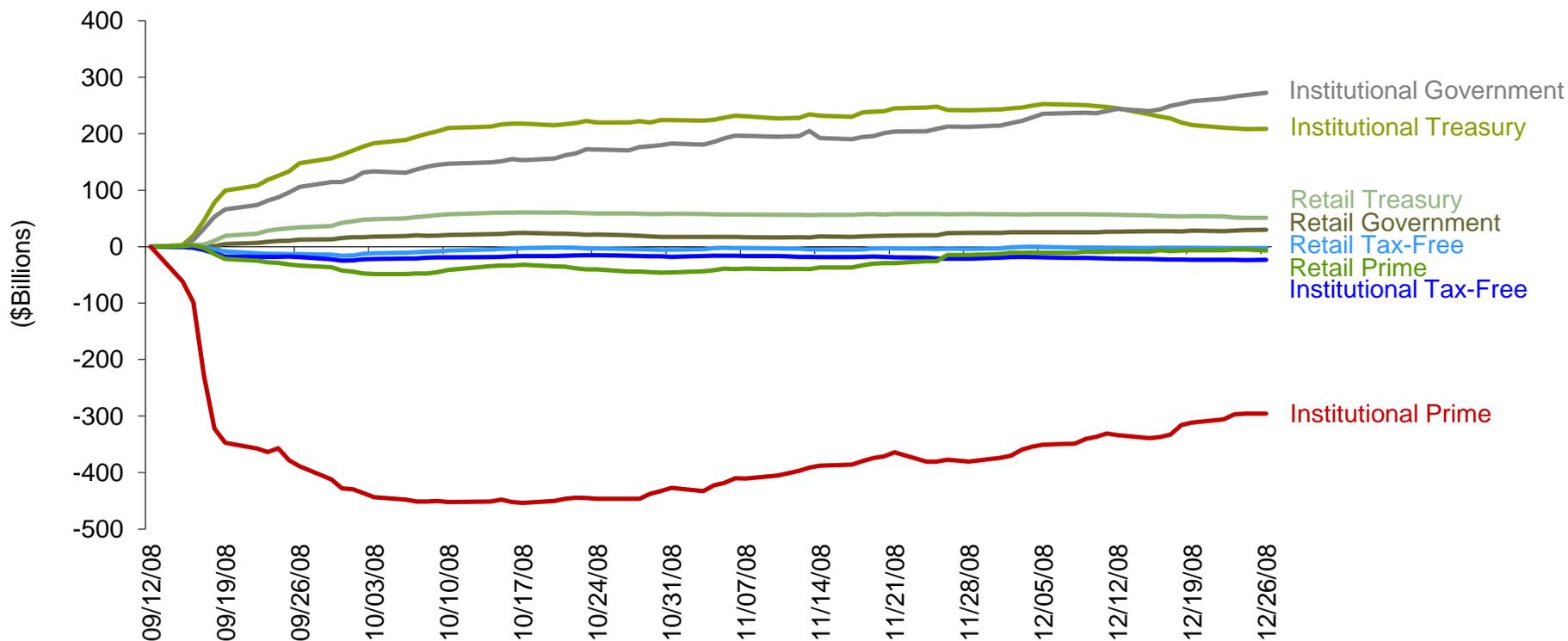
▶ Detroit Events Did Not Destabilize Municipal MMFs



Sources: Top chart, FMR as of 07/26/13; Bottom chart, Thompson Municipal Market Data as of 07/26/13; Fund data shows Fidelity Michigan Municipal Money Market Fund

Municipal MMFs Did Not See Significant Redemptions During 2008 Financial Crisis

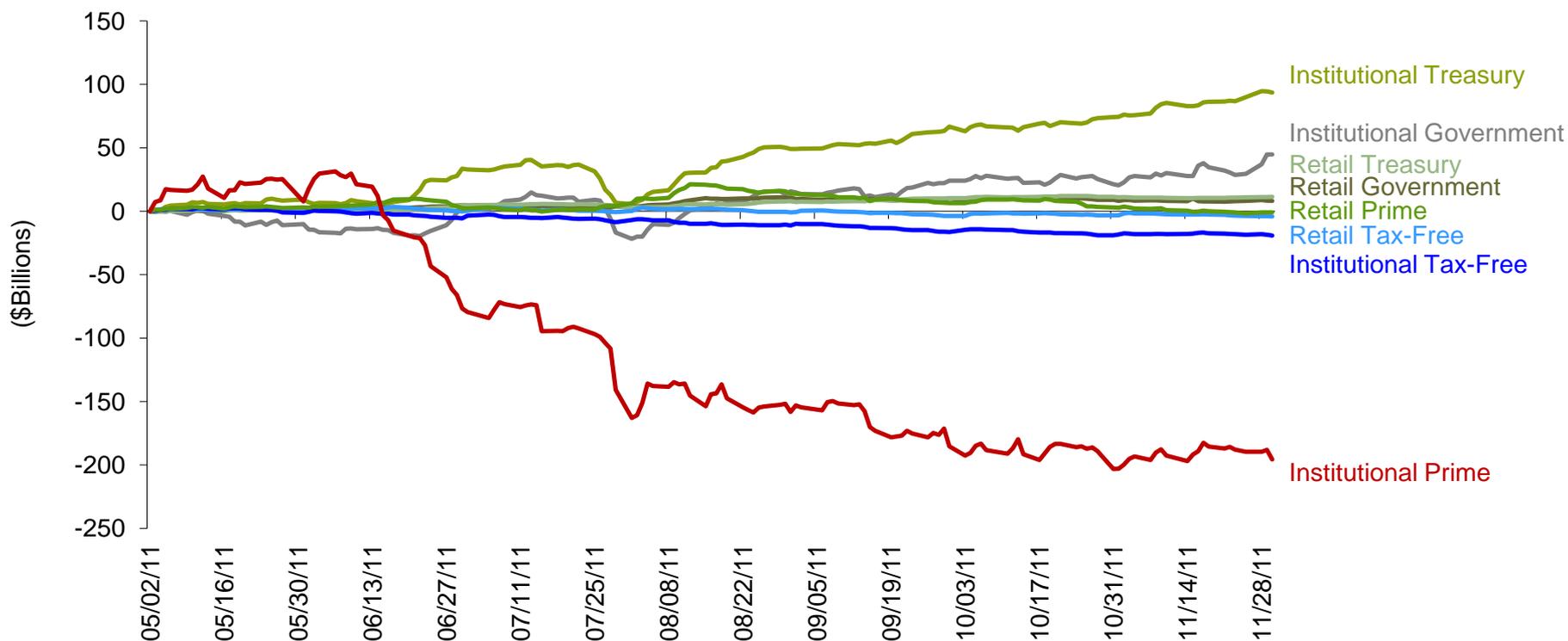
MONEY MARKET MUTUAL FUNDS ASSET FLOWS



Source: iMoneyNet as of 07/29/13

Municipal MMFs Did Not See Significant Redemptions During 2011 Market Uncertainty

MONEY MARKET MUTUAL FUNDS ASSET FLOWS



Source: iMoneyNet as of 07/29/13

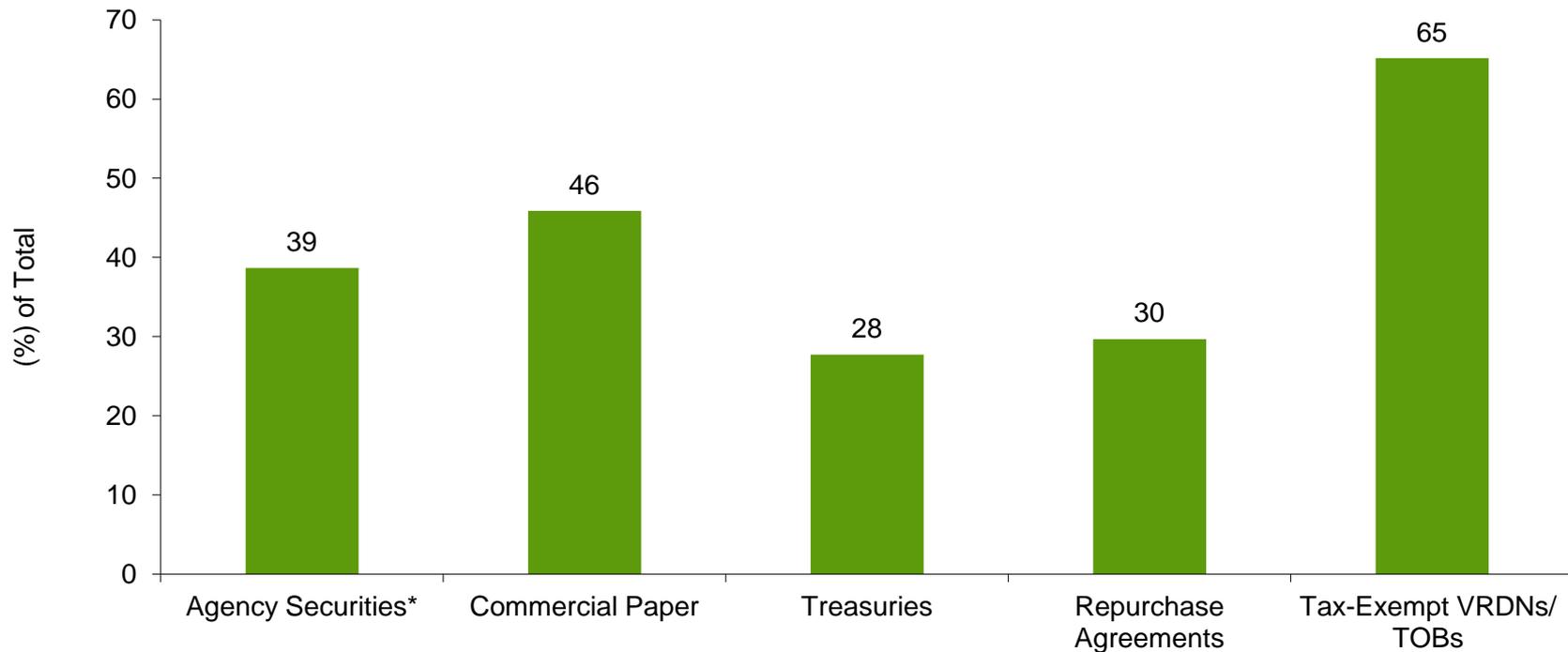
▶ Municipal MMFs Provide Low-Cost Financing for States, Cities and Non-Profits



Sources: Suspension Orthopaedic, Healthcare Facilities Today, Chicago Tribune, Construction Week Online

▶ Money Market Mutual Funds Are Significant Buyers of Short-Term Securities

MONEY MARKET MUTUAL FUNDS' SHARE OF SHORT-TERM SECURITIES¹

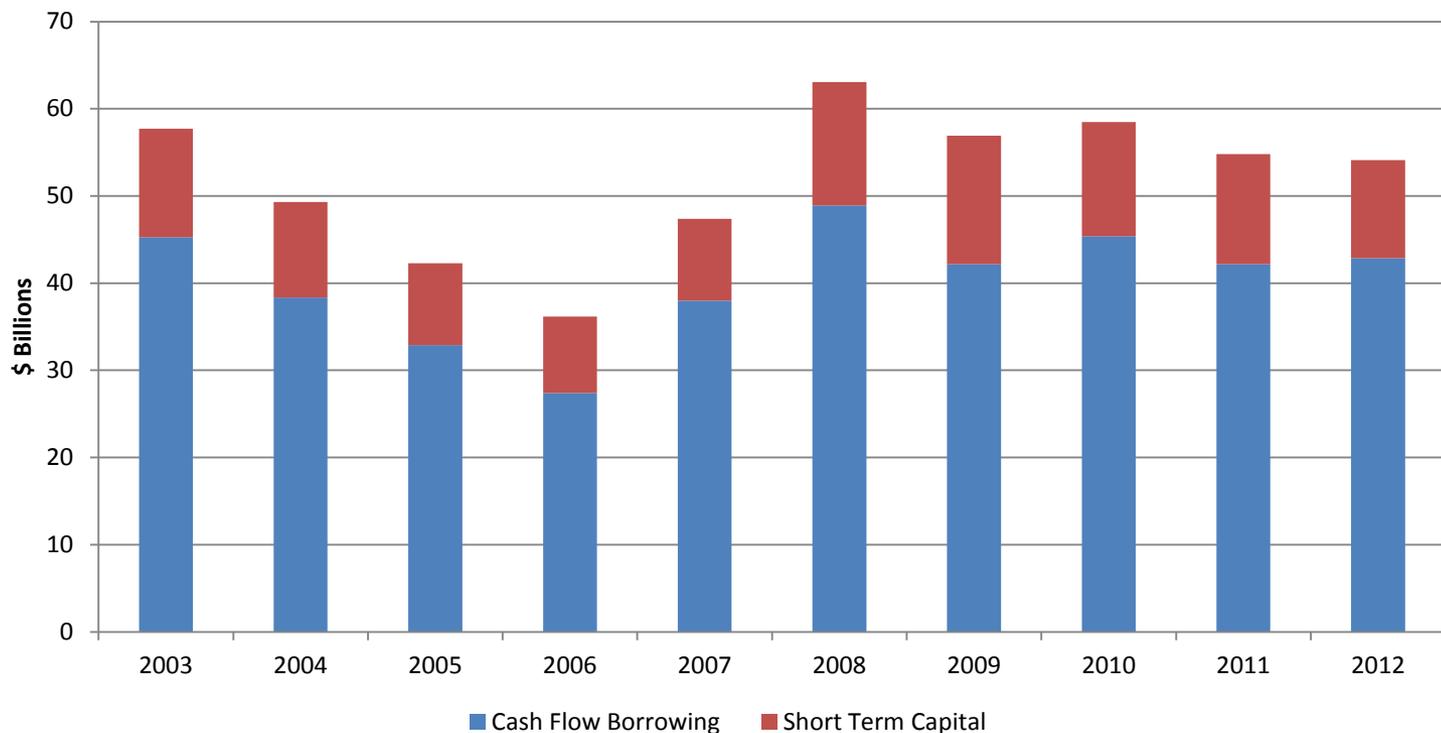


Notes: ¹ Short-term securities include money market instruments as well as longer-term securities with a remaining maturity of 1-year or less. *Agency securities include debt issued by Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

Sources: Bloomberg, New York Federal Reserve, U. S. Treasury Department, SIFMA, iMoneyNet, Crane Data as of 06/30/13 except VRDNs/TOBs as of 12/31/12

State and Local Governments Issue Significant Notes: Ten Year Total = \$520 Billion

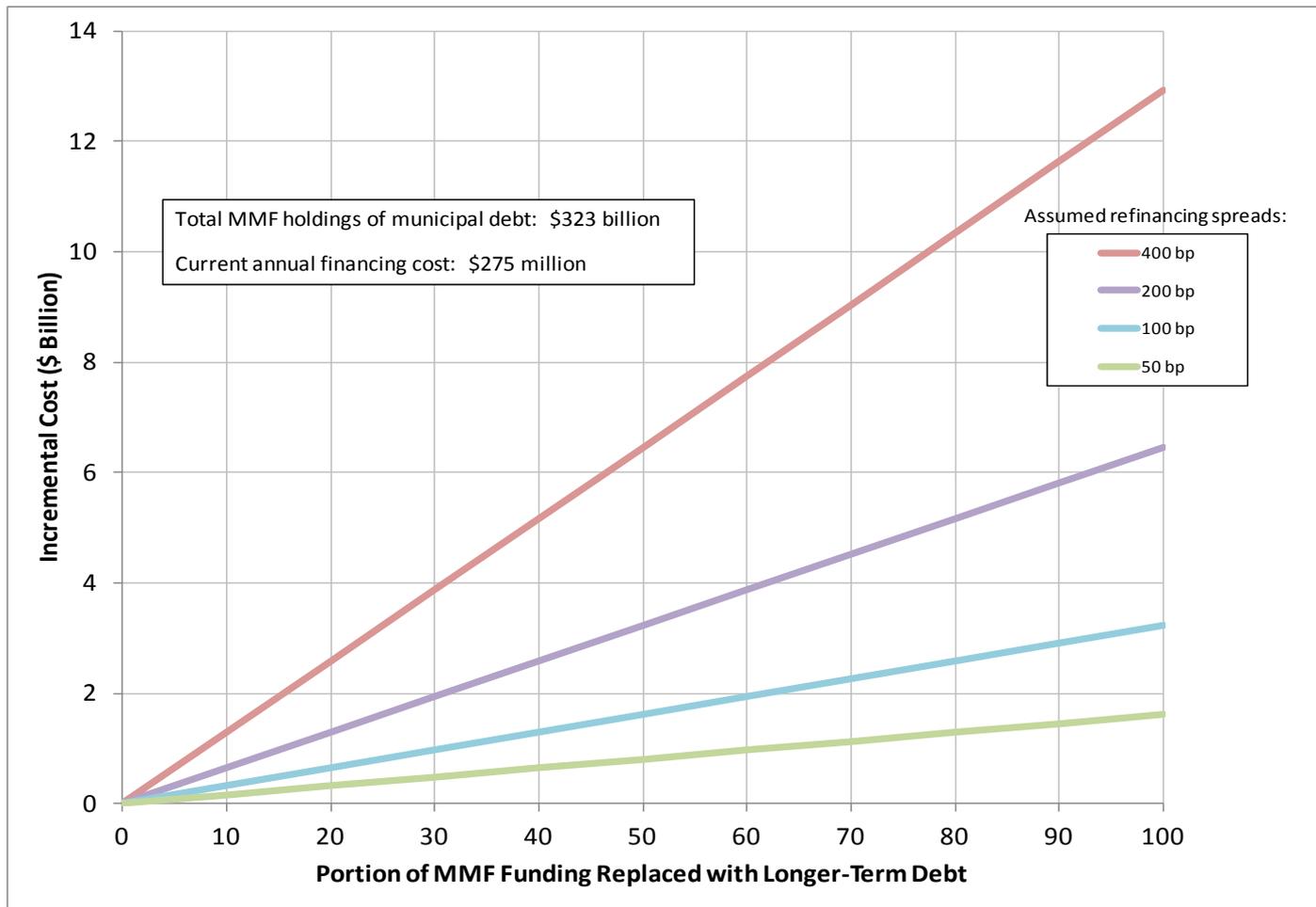
- ▶ State and local governments rely on short term money market borrowing to pay government employees and fund other operating expenses for cash flow management, and to finance capital projects during construction periods prior to issuing long term bonds.



Source: FMRCo as of 7/30/13

Note: Data represents state and local governmental note issuance that was offered to FMRCo for purchase.

▶ Potential Impact of MMF Reform on Municipal Issuers



Notes: Annual financing cost assumes average interest rates of 0.18% on notes and commercial paper and 0.06% on floating-rate securities
Sources: FMR as of 06/24/13; Crane Data, iMoneyNet and SIFMA as of 12/31/12

Security Sales During Week Following Lehman Bankruptcy (September 15, 2008 – September 19, 2008)

