

# Annotated Prototype Policy and Procedures for Retail Money Market Funds



Each money market fund with *retail* opposite its name on Schedule A (a retail fund) will limit the beneficial owners of its shares to natural persons.

## 1. Shares Beneficially Owned by Natural Persons<sup>1</sup>

*1.1 Definition of Natural Person.* For purposes of this policy, a natural person is an individual human being, unless otherwise specified herein.

*1.2 Definition of Beneficial Ownership.* For purposes of this policy, a natural person is the beneficial owner of a share if he or she, directly or indirectly, in his or her personal capacity, through any contract, arrangement, understanding, relationship, or otherwise, has or shares investment power, which includes the power to dispose or to direct the disposition of such share.<sup>2</sup> This includes the right to acquire investment power over a share within 60 days, including but not limited to any right pursuant to the power to revoke a trust, discretionary account, or similar arrangement or pursuant to the automatic termination of a trust, discretionary account, or similar arrangement.<sup>3</sup>

*1.3 Shared Investment Power.* An institution that shares investment power over a Retail Fund share with a natural person will not be treated as the beneficial owner of the shares for purposes of this policy.<sup>4</sup> In such case, the investment power of the natural person will determine whether an account may hold shares of the retail fund in compliance with this policy.

## 2. Documentation of Beneficial Ownership/Categories of Eligible Accounts

For purposes of this policy, and for purposes of any policies or procedures employed by a Retail Fund's transfer agent, dealers, and other securities intermediaries, a determination that natural persons are the beneficial owners of shares held in an account may be based on any of the following circumstances.

<sup>1</sup> See Securities and Exchange Commission, Division of Investment Management, 2014 Money Market Fund Reform Frequently Asked Questions, [www.sec.gov/divisions/investment/guidance/2014-money-market-fund-reform-frequently-asked-questions.shtml](http://www.sec.gov/divisions/investment/guidance/2014-money-market-fund-reform-frequently-asked-questions.shtml) (rev. March 18, 2016) (the 2014 FAQs), Question 28.

<sup>2</sup> This is a paraphrase of Rule 13d-3(a)(2) under the Securities Exchange Act of 1934.

<sup>3</sup> See Rule 13d-3(d)(1)(i).

<sup>4</sup> "The staff believes that such policies and procedures may also permit institutional decision makers to share investment power with a natural person. For example, accounts managed by an institutional decisionmaker on behalf of one or more natural persons may qualify to invest in a retail money market fund, provided that such natural persons have sole or shared investment power over the shares as defined in rule 13d-3." 2014 FAQs, Question 28.

*2.1 Representation of Beneficial Ownership.* A natural person represents, in an account application or agreement or otherwise, that he or she is the beneficial owner of shares held in an account.

*2.2 Customer Identification Programs.* The accountholder has provided a Social Security number (SSN), an individual taxpayer identification number, a passport number and country of issuance, an alien identification card number, or the number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard, pursuant to a customer identification program.<sup>5</sup>

*2.3 Social Codes.* The account has an associated National Securities Clearing Corporation social code or an equivalent code or indication for the account:

(a) categorized as retail on Schedule B, or

(b) categorized as retail/institutional on Schedule B and a natural person has investment power over the account.

*2.4 Federal Tax Forms.* The accountholder has provided one of following Internal Revenue Service (IRS) forms:

(a) a Form W-9 indicating the accountholder is an individual, sole proprietor, or single-member LLC and (i) the Form W-9 provides a SSN<sup>6</sup> or (ii) a natural person has investment power over the account;

(b) a Form W-9 indicating the accountholder is an estate or trust and (i) the Form W-9 provides a SSN, (ii) the account is registered in the name of or otherwise for the benefit of an estate<sup>7</sup> or a revocable personal trust,<sup>8</sup> or (iii) a natural person is a trustee with investment power over the account; or<sup>9</sup>

(c) a Form W-8BEN.

<sup>5</sup> Inv. Co. Act Rel. No. 31166, Money Market Fund Reform; Amendments to Form PF, 79 FR 47736, 47798 n.700 (adopted July 24, 2015, pub. Aug. 14, 2014) (the Release), citing, 31 CFR §1023.220(a)(2)(i) (2014).

<sup>6</sup> Release at 47797. (“[The SEC] expect[s] that many funds will rely on social security numbers to confirm beneficial ownership by a natural person. The Social Security number is one well-established method of identification, issued to natural persons who qualify under the Social Security Administration’s requirements. Because social security numbers are in nearly all cases obtained as part of the account-opening process (for natural persons) and are populated in transfer agent and intermediary recordkeeping systems, this approach should reduce significantly the required enhancements to systems...”)

<sup>7</sup> Release at 47798 n.702 (“We note that an estate or trust would be able to qualify for investment in a retail fund under our definition, provided the fund reasonably concludes that the beneficial owner(s) is a natural person.”); 2014 FAQs, Question 30.

<sup>8</sup> See Treatment of Ordinary Trusts Under the Retail Money Market Fund Definition, available at [www.ici.org/pdf/15\\_ops\\_ordinary\\_trusts.pdf](http://www.ici.org/pdf/15_ops_ordinary_trusts.pdf).

<sup>9</sup> Id.; see also, Release at 47798 n.697. (“Natural persons often invest in money market funds through a variety of tax-advantaged accounts and trusts, including, for example: ... (xi) ordinary trusts (section 7701 of the IRC).”)

*2.5 Retirement and Other Individual Savings Plans.* The account has been established by a retirement plan, savings plan, or trust in which participants, settlors, trustees, or beneficiaries who are natural persons have investment power over the underlying plan accounts. These include, without limitation, all of the plans and accounts listed on Schedule C.<sup>10</sup>

*2.6 Escheatment Accounts.* A state authority has established the account to hold the Retail Fund's shares that become subject to the state's unclaimed property or escheatment laws.<sup>11</sup>

*2.7 Administrative Accounts.* An affiliated person of the retail fund has established the account to provide initial seed capital or financial support to the retail fund, or otherwise to facilitate administration and operations of the retail fund.<sup>12</sup>

*2.8 Retail Feeder Funds.* The account is for the benefit of another money market fund that has adopted policies and procedures reasonably designed to limit all beneficial owners of its shares to natural persons.<sup>13</sup>

*2.9 Variable Insurance Products.* A life insurance company established a separate account to fund variable insurance products that have adopted policies and procedures reasonably designed to limit all beneficial owners of the products to natural persons.<sup>14</sup>

*2.10 Other.* A retail fund's transfer agent, dealers, and other securities intermediaries have reasonably determined that natural persons are the beneficial owners of shares held in an account based on the applicable facts and circumstances.

### 3. Redemption of Ineligible Shareholders

If it is determined that shares in an account are not beneficially owned by a natural person, the fund will promptly use lawful and appropriate means to redeem or cause the accountholder to redeem the retail fund shares held in the account; provided that, if the retail fund is permitted to redeem shares involuntarily, it shall provide the accountholder with at least 60 days' prior written notice of such redemption.<sup>15</sup> Any such redemption shall be paid to the accountholder in accordance with the applicable account agreement or as directed by the accountholder.<sup>16</sup>

### 4. Compliance Procedures—Transfer Agents

As required by Rule 38a-1, the chief compliance officer will include compliance with this policy in the annual review of the operation of the policies and procedures of the transfer agent of a retail fund.

<sup>10</sup> Release at 47798 n.697; see also, 2014 FAQs, Question 29.

<sup>11</sup> 2014 FAQs, Question 34.

<sup>12</sup> 2014 FAQs, Question 31.

<sup>13</sup> 2014 FAQs, Question 32.

<sup>14</sup> 2014 FAQs, Question 35.

<sup>15</sup> Release at 47799 (“[T]he Commission’s position is that a fund may involuntarily redeem investors who no longer meet the eligibility requirements in a fund’s retail and/or institutional money market funds without separate exemptive relief, provided that the fund notifies in writing such investors who become ineligible to invest in a particular fund at least 60 days before the redemption occurs.”); see also, 2014 FAQs, Question 33.

<sup>16</sup> See 2014 FAQs, Question 53.

## 5. Compliance Procedures—Omnibus Accounts

For any account maintained at the transfer agent by a securities intermediary for the exclusive benefit of the intermediary's entitlement holders (an omnibus account), the chief compliance officer (or his or her designee) will use reasonable efforts to:

5.1 obtain either (a) a copy of the securities intermediary's policies and procedures limiting the beneficial owners of the shares held in the omnibus account to natural persons and confirm that those policies or procedures submitted by a securities intermediary substantially conform to this policy, or (b) a written statement or other representation,<sup>17</sup> in a distribution, shareholder service, or account subaccounting agreement, certificate, or otherwise (including acceptance of supplemental terms governing operational standards or procedures for the omnibus account),<sup>18</sup> that the securities intermediary has policies and procedures reasonably designed to ensure that all beneficial owners of the shares of the retail fund are natural persons as defined by the SEC and operates the omnibus account in compliance with such policies and procedures; and

5.2 review compliance by the securities intermediary with the fund's policies and procedures for retail funds, which review should be guided by risk-rankings of securities intermediaries developed or approved in consultation with the chief compliance officer<sup>19</sup> and may consist of, without limitation, a Financial Intermediary Controls and Compliance Assessment (FICCA), third-party control reports (e.g., a FICCA, SOC 1 reports), available industry updates and information, onsite visits, review of analytics, controls confirmations/questionnaires, or telephonic interviews.

Omnibus accounts do not include the plans and accounts described in Sections 2.5 and 2.6 and held directly with the retail fund.

## 6. Annual Review

As appropriate, the chief compliance officer will include the consideration of this policy and all related procedures in connection with the annual compliance report provided to the board of directors in accordance with Rule 38a-1.

<sup>17</sup> Agreements executed before the adoption of these policies and procedures may already provide such representations to the extent that the securities intermediary represents that it will distribute shares or maintain accounts in compliance with a retail fund's prospectus or in compliance with applicable laws and regulations. In such circumstances, adoption of these policies and procedures should not require the retail funds to supplement their current agreements.

<sup>18</sup> If an existing agreement may be amended or supplemented by notice to the securities intermediary, the intermediary's acceptance of revisions under which it must undertake to adopt policies and procedures (or similar forms of negative consent) should be regarded as a written statement to this effect.

<sup>19</sup> In appropriate circumstances, the chief compliance officer may conclude that the risks presented by an intermediary are not sufficiently material to warrant regular reviews. Thus, this section should not be construed to require re-views of every securities intermediary over any specified period and, as a practical matter, may result in reviews of only the largest omnibus accounts maintained by intermediaries servicing institutional clients.

## Schedule A

### Money Market Funds

INVESTMENT COMPANY	SERIES	TYPE OF MONEY MARKET FUND
		<input type="checkbox"/> Government <input type="checkbox"/> Retail <input type="checkbox"/> Institutional
		<input type="checkbox"/> Government <input type="checkbox"/> Retail <input type="checkbox"/> Institutional
		<input type="checkbox"/> Government <input type="checkbox"/> Retail <input type="checkbox"/> Institutional
		<input type="checkbox"/> Government <input type="checkbox"/> Retail <input type="checkbox"/> Institutional
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		<input type="checkbox"/> Government <input type="checkbox"/> Retail <input type="checkbox"/> Institutional

## **Schedule B**

### **NSCC Social Codes**

- » **Money Market Fund Social Code Categorization Matrix**  
AVAILABLE AT [WWW.ICI.ORG/PDF/15\\_OPS\\_MATRIX\\_CODE.PDF](http://WWW.ICI.ORG/PDF/15_OPS_MATRIX_CODE.PDF)
  
- » **Treatment of Ordinary Trusts Under the Retail Money Market Fund Definition**  
AVAILABLE AT [WWW.ICI.ORG/PDF/15\\_OPS\\_ORDINARY\\_TRUSTS.PDF](http://WWW.ICI.ORG/PDF/15_OPS_ORDINARY_TRUSTS.PDF)