

The Post Reform World

Conversion and Operational Changes

Introduction

Since the finalised EU Money Market Reform guidelines were announced in July 2017, State Street Global Advisors (SSGA) has sought to educate, inform and guide investors through the changes.

Now, with the regulatory implementation date of January 21st 2019 fast approaching, the time has come to focus the lens on the conversion of the funds, and what changes can be expected.

In this publication we provide answers to the most frequently asked questions that we are receiving from our investors and prospects. Of course, should you have a question not covered in this piece, please contact our dedicated Cash specialists, who will be able to assist.

When will SSGA convert to the new fund types?

The conversion of the funds will take place around the weekend of 11th January 2019, subject to regulatory approval.

What will your current funds be converting to?

Our current range of GBP, EUR and USD prime funds will be converting to Low Volatility NAV (LVNAV) funds. This fund type most closely resembles the current prime CNAV funds, trading with a constant NAV calculated to 2 decimal points under normal market conditions.

The State Street USD Treasury Fund will convert into the Public Debt CNAV (PDCNAV) fund. This represents little change in regards to investment restrictions, requiring a holding of 99.5% in government debt, and the fund will maintain a constant NAV.

Our current EUR Ultra Short Bond Fund will be converted into a Standard Variable NAV (VNAV) fund.

Current	Post Reform
SSGA USD Liquidity Fund	State Street USD Liquidity LVNAV Fund
SSGA GBP Liquidity Fund	State Street GBP Liquidity LVNAV Fund
SSGA EUR Liquidity Fund	State Street EUR Liquidity LVNAV Fund
SSGA EUR Ultra Short Bond Fund	State Street EUR Liquidity Standard VNAV Fund
State Street US Treasury Liquidity Fund	No Change

Note: Not all funds are available in all markets.

Our fund line-up and operational characteristics are subject to regulatory approval. Therefore, information provided in this piece reflects our current plans and intentions and may be subject to change.

How will SSGA convert to the new fund types?

We anticipate a conversion taking place around the weekend of the 11th January. No action is needed from investors.

Additional Considerations

Will the fund remain Triple-A rated?

Yes, the funds will continue to be managed in accordance with the requirements to maintain a Triple-A rating from a Credit Rating Agency (CRA).

Will other investment types be available?

We will have a full product range available, subject to investor demand and regulatory approval.

Is there anything current investors need to do or be aware of?

As the LVNAV fund operates in the same way as the current Prime CNAV fund during normal market conditions, there are no operational changes that investors will need to be aware of. Dealing cut-off, intra-day redemptions and contract note delivery will remain the same, subject to the regulatory approval. Dealing and settlement requirements will be unaffected.

In times of severe market stress, changes have been made that determine the use of liquidity fees and redemption gates in accordance with the Money Market Funds Regulation (MMFR) requirements. The implementation of these tools is now determined by specific criteria, as follows:

1. If weekly liquidity falls below 30% and daily net redemptions exceed 10% of total assets of the fund, the board must decide whether to apply one or more of the following measures: redemption gates, liquidity fees on redemptions, suspension of redemptions or take no immediate action.
2. If weekly liquidity falls below 10% the board must apply one of the following measures: liquidity fees or suspension of redemptions.

**Will SSGA continue to offer intra-day settlement?
What times will this happen?**

LVNAV intra-day settlement times will not change, subject to regulatory approval.

Will the fund cut-off time change?

For the LVNAV Funds, dealing cut-off times will be unchanged.

GBP and EUR Fund – 1330 London.

USD Fund – 1600 New York.

The State Street USD Treasury Liquidity Fund will not change and will maintain a 1600 New York Time cut-off.

The State Street EUR Liquidity Standard VNAV fund will move to a 1400 London time cut-off with T+1 settlement.

Can trades be placed using both cash and unit orders?

Yes, orders can be placed either in cash or unit amounts for both subscription and redemption trades across all fund types for all cut-offs and valuation points.

Can trades be placed using Swift?

Yes, investors can continue to trade using Swift.

For VNAV funds, how will NAV and transaction information be issued and when?

NAV information will be issued to investors on their contract notes following the trade cycles, and will be published daily on our website at ssga.com/cash.

Where will daily and weekly liquid asset figures be shown?

Daily and weekly liquid asset figures will be shown on the SSGA Cash website at ssga.com/cash. Figures will be updated daily, providing investors with full transparency of the liquidity levels within the funds.

Will the funds maintain Cash and Cash Equivalent Status?

For the LVNAV and Short-Term VNAV fund types, guidance from external accounting firms would indicate that investments will be treated as Cash and Cash Equivalent, however we would encourage investors to seek independent advice.

Does the potential exist for the 20bp collar to be breached?

In normal market conditions, we observed that a fund's mark to market NAV moves very little. We looked at 27 Institutional prime funds in the US that follow very similar guidelines to UCITS and their NAV did not move more than 5 basis points over the course of 21 months. This included a 50 basis point move in the Libor Overnight Index Spread (OIS) spread and six rate hikes from the Fed. But there is always a risk that an LVNAV fund price could move outside of the 20 basis point collar. The price is not guaranteed.

What happens if an LVNAV fund breaches the 20 basis point collar?

In the unlikely event of a valuation breach of the 20bps collar, the fund will be suspended while a move to VNAV takes place. The fund will reopen on T+1 with a VNAV.

How do I find out more information?

For further information please contact the SSGA Cash team at emeacashclientservice@ssga.com, or call +44 (0)20 3395 2333.

Alternatively please visit our website at ssga.com/cash.

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