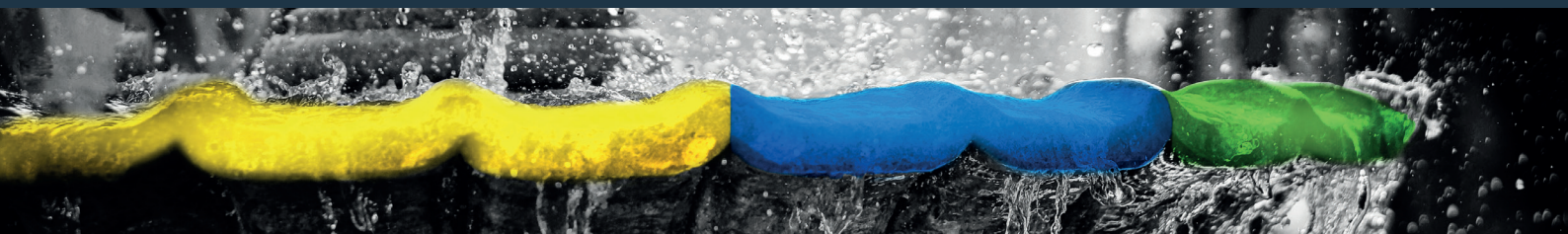


Aviva Investors

EU Money Market Fund Reform



What is the regulation?

Regulation (Eu) 2017/1131 Of The European Parliament And Of The Council Of 14 June 2017 On Money Market Funds

This regulation sets out rules for money market funds (MMFs) established, managed or marketed in the European Union. It lays out provisions regarding the financial instruments eligible for investment by a MMF, the portfolio of an MMF, the valuation of the assets of an MMF, and the reporting requirements in relation to an MMF.

This regulation applies to collective investment undertakings that:

- (a) require authorisation as UCITS or are authorised as UCITS under Directive 2009/65/EC or are AIFs under Directive 2011/61/EU;
- (b) invest in short-term assets; and
- (c) have distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment.

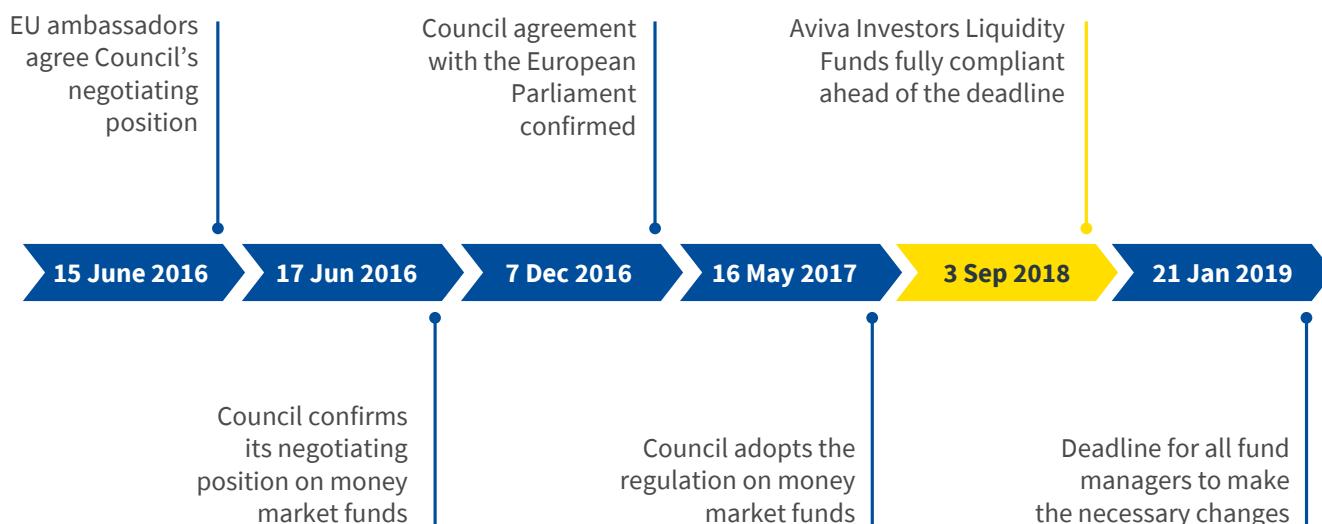
Scope and Intent

All money market funds established, managed and or/marketed in the EU. The regulation intends to provide investors with a wider degree of choice for investing their short-term cash, providing for two types of MMFs: Short-term MMFs and Standard MMFs.

In addition, three structural options:

1. Public Debt Constant NAV (CNAV) MMFs
2. Low Volatility NAV (LVNAV) MMFs
3. Variable NAV (VNAV) MMFs

Timeline



Why is the regulation changing?

Events that occurred during the financial crisis led to proposals from the European Commission intended to make money market funds more resilient. The regulation changes at European level were considered necessary to help provide:

- Equal operating conditions for European money market funds across member states.
- Equal protection of investors.
- Provisions to ensure funds' liquidity and stability of the investment.

“We believe the proposals limit contagion channels and render the financial system safer by working to forestall future asset runs.”

Caroline Hedges,
Global Head of Liquidity Portfolio Management

What is changing?

Events that occurred during the financial crisis led to proposals from the European Commission intended to make money market funds more resilient. The regulation changes at European level were considered necessary to help provide:

- **Investment policies of money market funds** – Introduces conditions on the money market funds' portfolio structure.
- **Categories of funds** – Most funds are currently Constant Net Asset Value (CNAV) or Variable Net Asset Value (VNAV) – in the future state CNAV will only exist for 100% Government debt funds. Most funds will convert to the newly formed Low Volatility Net Asset Value (LVNAV) category. VNAV will still exist.
- **Liquidity** – LVNAV MMF's will need to hold at least 10% of assets maturing within one day, and 30% of assets maturing within a week to be able to meet sudden redemption requests and/or adverse market conditions. Up to 17.5% of assets held in sovereigns, supranationals or agencies can count towards the weekly limit. VNAV MMF's will need to hold at least 7.5% of assets maturing within one day, and 15% of assets maturing within a week to be able to meet sudden redemption requests and/or adverse market conditions.
- **Diversification** – There will be a 5% limit per issuer, max 10% per deposit counterparty, max 15% limit on reverse repurchase agreements per counterparty, max 17.5% investment in other MMFs limited to 5% per fund. Max 15 % overall exposure to securitisation and ABCPs.
- **Review Rules** – After five years, the European Commission will provide a report on the functioning of the regulation.
- **Transparency** – There will be rules on transparency in advertising MMF's to investors and requirements on reporting to competent authorities.

Key changes for the new LVNAV fund category

For implementation by 21st January 2019:

- Min. 10% daily liquidity.
- Min. 30% weekly liquidity (17.5% of this can be held in highly liquid assets from sovereigns, supranationals or agencies with <190 days to maturity).
- If weekly liquidity falls below 30%, or daily net redemptions exceed 10%, the fund's board must meet and consider imposing fees or gates (suspend or limit redemptions for up to 15 days).
- Liquidity fees “reflect the cost to the MMF of achieving liquidity and ensure that investors who remain in the fund are not unfairly disadvantaged”.
- If weekly liquidity drops below 10%, liquidity fees and/or total redemption suspensions become mandatory.
- If redemptions are suspended for more than 15 days over 90 consecutive days, the fund must float its share price.
- Amortised cost accounting for sub 75 day assets (previously 60 days) with gap to mark-to-market limited to 10bp.
- Max. 15% exposure per repo counterparty.
- Max. 15 % overall exposure to securitisation or ABCP.
- Sponsors are prohibited from providing financial assistance to prop up the share price, guarantee principal or otherwise support a fund.

Summary of impact to Aviva Investors funds

We welcome the regulations and believe they are in the best interests of our clients. For the last decade we have operated our AAA rated, same day, off shore MMF's as a VNAV well ahead of these new requirements.

Aviva Investors Liquidity Funds have implemented the new LNAV structure and are fully compliant ahead of the 21 January 2019 deadline. The table below shows a summary of the changes to our funds.

Aviva Investors Sterling Government Liquidity Fund ¹		
Objective	To provide liquidity and security of government exposure.	
Rating: Moody's S&P	Aaa-mf AAAm	
EU MMFR changes	Previous Structure	New Structure
Fund Structure	VNAV	LNAV
Investment Horizon	0-3 months	0-3 months
Performance Objective	Overnight LIBID	Overnight LIBID
Minimum Credit Rating Restrictions*	A2/P1 – Moody's A/A-1 S&P	A2/P1 – Moody's A/A-1 S&P
Maximum Weighted Average Maturity	60 days	60 days
Maximum Weight Average Life	120 Days	120 Days
Minimum Daily Liquidity	10%	10%
Minimum Weekly Liquidity	N/A	30%
Settlement	Same Day	Same Day
Dealing Cut-Off	12 noon (Irish Time)	1pm (Irish Time)

Aviva Investors Sterling Liquidity Fund ³		
Objective	To maximise current income consistent with the preservation of principal and liquidity.	
Rating: Moody's S&P	Aaa-mf AAAm	
EU MMFR changes	Previous Structure	New Structure
Fund Structure	VNAV	LNAV
Investment Horizon	0-3 months	0-3 months
Performance Objective	7-day LIBID plus 0.10% per annum gross	7-day LIBID plus 0.10% per annum gross
Minimum Credit Rating Restrictions*	A2/P1 – Moody's A/A-1 S&P	A2/P1 – Moody's A/A-1 S&P
Maximum Weighted Average Maturity	60 days	60 days
Maximum Weight Average Life	120 Days	120 Days
Minimum Daily Liquidity	10%	10%
Minimum Weekly Liquidity	N/A	30%
Settlement	Same Day	Same Day
Dealing Cut-Off	12 noon (Irish Time)	1pm (Irish Time)

Source: Aviva Investors as at 13 August 2018

Changes made to the structure of the Aviva Investors Liquidity Funds highlighted.

* The rating has been solicited by the Investment Management.

¹ Sterling Government Liquidity Fund -The Aviva Investors Sterling Government Liquidity Fund is a Short-Term Low-Volatility Net Asset Value (LNAV) Money Market Fund.

Aviva Investors Euro Liquidity Fund ²		
Objective	To maximise current income consistent with the preservation of principal and liquidity.	
Rating: Moody's S&P	Aaa-mf	
EU MMFR changes	Previous Structure	New Structure
Fund Structure	VNAV	VNAV
Investment Horizon	0-3 months	0-3 months
Performance Objective	7-day Euro LIBID plus 0.10% per annum	7-day Euro LIBID plus 0.10% per annum
Minimum Credit Rating Restrictions*	A2/P1 – Moody's	A2/P1 – Moody's
Maximum Weighted Average Maturity	60 days	60 days
Maximum Weight Average Life	120 Days	120 Days
Minimum Daily Liquidity	10%	7.5%
Minimum Weekly Liquidity	N/A	15%
Settlement	Same Day	Same Day
Dealing Cut-Off	12 noon (Irish Time)	12 noon (Irish Time)

Aviva Investors Sterling Liquidity Plus Fund		
Objective	To provide an investment return with low level of capital volatility whilst maintaining liquidity.	
Rating: Moody's S&P	Aaa-bf	
EU MMFR changes	Previous Structure	New Structure
Fund Structure	VNAV	VNAV
Investment Horizon	3-6 months	3-6 months
Performance Objective	7-day LIBID plus 0.25% per annum gross	7-day LIBID plus 0.25% per annum gross
Minimum Credit Rating Restrictions*	AAAF Fitch Ratings	AAAF Fitch Ratings
Maximum Weighted Average Maturity	365 days	365 days
Maximum Weight Average Life	365 days	365 days
Minimum Daily Liquidity	N/A	N/A
Minimum Weekly Liquidity	N/A	N/A
Settlement	T+2	T+2
Dealing Cut-Off	12 noon (Irish Time) on trade date	1pm (Irish Time) on trade date

² Euro Liquidity Fund - The Aviva Investors Euro Liquidity Fund is a Short-Term Variable Net Asset Value (VNAV) Money Market Fund.

³ Sterling Liquidity Fund - The Aviva Investors Sterling Liquidity Fund is a Short-Term Low-Volatility Net Asset Value (LNAV) Money Market Fund.

Contact Us

Aviva Investors dedicated liquidity relationship team are committed to building long-term relationships and providing excellent service.

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Important information

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Aviva Investors Liquidity Funds Plc (the "Fund") is an umbrella open-ended investment company with segregated liability between sub-funds and with variable capital incorporated on 10 May 2002 and is authorised in Ireland as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 as amended. The Fund has appointed Aviva Investors Luxembourg S.A., with registered office at 2, rue du Fort Bourbon, L-1249 Luxembourg, as the Fund's Management Company. The funds are sub funds of the Aviva Investors Liquidity Funds p.l.c. (ISIN: IE0031619269) and Aviva Investors Global Services Ltd has been appointed as the Investment Manager. The Subfund(s) are authorised in Ireland and regulated by Central Bank of Ireland. Copies of the Full Prospectus and Key Investor Information Document (KIID) together with the Report and Accounts for the Fund are available free of charge from Aviva Investors Global Services Ltd, St Helen's, 1 Undershaft, London EC3P 3DQ. These documents are available in English.

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