TO:	Ken Cotrone, Chair, Investment Designation Analysis (E) Working Group Members of the Investment Designation Analysis (E) Working Group
FROM:	Charles A. Therriault, Director, NAIC Securities Valuation Office Marc Perlman, Assistant Director-Investment Counsel, NAIC Securities Valuation Office Hankook Lee, Assistant Director, NAIC Structured Securities Group and Capital Markets Bureau
RE:	Proposed Amendment to the Purposes and Procedures Manual of the NAIC Investment Analysis Office (the "Purposes and Procedures Manual") to Expand Eligibility for the U.S. Government Money Market Mutual Funds List to Include Master/ Feeder Fund Structures
DATE:	September 22, 2026

Summary: The current eligibility guidelines for a fund to be listed on the NAIC U.S. Government Money Market Fund List include a requirement that:

> The fund invests 100% of its total assets in securities that are direct obligations of the U.S. Government and/or in securities that are backed by the full faith and credit of the U.S. Government or collateralized repurchase agreements comprised of such obligations at all times.

Since this eligibility requirement demands that all of the funds' assets be invested in direct U.S. government obligations and/or securities backed by the U.S. government's full faith and credit, it excludes the possibility of a fund qualifying for the list if it is part of a feeder fund/master fund structure, pursuant to Section 12(d)(1)(E)[1] of the Investment Company Act of 1940 (the "40 Act"), or part of a structure in which a fund's portfolio contains both currently eligible U.S. government securities and shares or interests in another fund that itself meets the eligibility guidelines.

Several fund sponsors have noted this limitation to the IAO. Therefore, the IAO recommends the following changes to the U.S. Government Money Market Fund List section of the Purposes and Procedures Manual, to permit such structures. Upon consultation with industry, it was explained that only the feeder fund in certain master/feeder fund structures pursuant to Section 12(d)(1)(E) of the

[1] Section 12(d)(1)(E) of the 40 Act provides a conditional exemption from the restrictions on funds investing in other funds provided in Sections 12(d)(1)(A) and (B). Section 12(d)(1)(E) permits master/feeder fund structures if, among other requirements, the feeder fund's *only* investment security is that of the master fund.

40 Act, would meet certain of the current documentation requirements and eligibility criteria, for example net asset value may not be calculated at the master fund level. Therefore, the recommendation would permit such master/feeder fund structures to qualify for the list as a unit, instead of each of the master and feeder qualifying for the list individually.

Proposed Amendment –The proposed changes to the current P&P Manual are shown below with additions in red underline font color and deletions in ~~red strikethrough~~.

PART THREE
SVO PROCEDURES AND METHODOLOGY FOR PRODUCTION OF NAIC DESIGNATIONS

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Directive

270. The VOS/TF directs that the SVO establish and maintain the various NAIC Lists of fund investments or compilation processes hereinafter identified; administrative procedures to receive applications of insurance companies and of fund sponsors; procedures to disseminate the Lists to insurance companies and state insurance regulators and analytical criteria and methodology to evaluate fund eligibility. The SVO shall evaluate:

- Money market mutual funds issued by open end management companies registered with the U.S. Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940 (the "40 Act") that hold (i) only direct obligations of the U.S. government and/or ~~in~~ securities backed by the full faith and credit of the U.S. (as more fully described in Part ~~Two~~ One) and/or (ii) shares or interests in a separate fund that is, itself, invested in Eligible USMMF Investments, as defined in the NAIC U.S. Government Money Market Fund section, to determine eligibility for inclusion on the NAIC U.S. Government Money Market Fund ~~Direct Obligations/Full Faith and Credit Exempt~~ List. For purposes herein, money market mutual funds include master/feeder fund structures, reliant on Section 12(d)(1)(E) of the 40 Act, in which a feeder fund invests all its investible assets in a master money market mutual fund that is, itself, invested only in Eligible USMMF Investments, as defined in the NAIC U.S. Government Money Market Fund List section (a "Master/Feeder MMF").

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THE NAIC U.S. GOVERNMENT MONEY MARKET FUND LIST

Regulatory Treatment of Eligible Funds

271. A money market mutual fund (including a Master/Feeder MMF) on the NAIC U.S. Government Money Market Fund List is reported as a cash equivalent on Schedule E, Part 2 on the "Exempt Money Market Mutual Funds – as Identified by the SVO" line. These "exempt" money market mutual funds are reported at fair value and incur a zero percent (0%) risk-based-capital (RBC) charge. Other money market mutual funds that are not on the NAIC U.S. Government Money Market Fund List are also reported as cash equivalents on Schedule E, Part 2 on the "All Other Money Market Mutual Funds" line. The "all other" money market mutual funds that are not on the NAIC U.S. Government Money Market Fund List are also reported at fair value but incur an RBC charge similar to other cash equivalents.

Required Documentation

272. An insurance company or the sponsor of a money market mutual fund (including a Master/Feeder MMF) requests an SVO evaluation that a money market mutual fund (including a Master/Feeder MMF) is eligible to be listed on the NAIC U.S. Government Money Market Fund List by submitting the following documentation to the SVO:

- The money market mutual fund application form.
- Authorization letter requesting review of the fund for the purpose of being added to the List.
- The most recent money market mutual fund (including Master/Feeder MMF):
  - Prospectus;
  - Statement of Additional Information (SAI); and
  - Annual, and if available, the semi-annual report.
- Rating letter from an NAIC CRP dated in the year of the filing.

Eligibility Criteria

273. A money market mutual fund (including a Master/Feeder MMF) is eligible for inclusion on the NAIC U.S. Government Money Market Fund List if ~~the fund~~ it meets the following conditions:

- The fund maintains a money market mutual fund rating of AAAm from Standard & Poor's or Aaa-mf from Moody's Investor Services or an equivalent money market mutual fund rating from any NAIC CRP.
- The fund maintains a stable net asset value per share of $1.00.
- The fund allows a maximum of seven-day redemption of proceeds.
- The fund invests 100% of its total assets in securities that are (a) direct obligations of the U.S. Government and/or in securities that are backed by the full faith and credit of the U.S. Government or collateralized repurchase agreements comprised of such obligations at all times ("Eligible USMMF Investments") and/or (b) shares or interests of a separate fund(s) which invests 100% of its assets in Eligible USMMF Investments. For the avoidance of doubt, both the acquiring and acquired fund must be eligible for, and included on, the NAIC U.S. Government Money Market Fund List (except for Master/Feeder MMFs which, as appropriate, may be included on the list as a single entry under the name of the feeder entity only).

Verification Procedure

- Upon receipt of the documentation, the SVO examines the prospectus, schedule of fund portfolio holdings and related materials to verify that the fund meets the established criteria.