

Understanding liquidity fees and redemption gates

Cash Academy

Liquidity fees and gates (“fees and gates”) remain mechanisms that may be incorporated to help ensure fair treatment towards all money market fund (“MMF”) investors in times of uncertainty.

BlackRock Cash Management’s core objectives remain to seek maintenance of capital, liquidity, and yield – in that order. Following years of experience managing our funds through volatile markets, we have maintained our commitment to this philosophy, backed by the breadth and scale of our global platform. While we do not currently anticipate the need to implement these tools, we feel it is important for investors to understand their function, utility, and intention.

Prescribed scenarios for fees and gates

There are prescribed scenarios within the European Money Market Fund Reform (“EMMFR”) for public debt Constant NAV (“CNAV”) and Low Volatility NAV (“LVNAV”), money market funds (MMF) under which fees and/or gates may be implemented subject to certain liquidity thresholds being breached.

Whilst there are no liquidity fee or redemption gate provisions outlined for Variable Net Asset Value (“VNAV”) funds in either the short-term or standard VNAV structures within European Money Market Fund Reform (EMMFR), these fund types are subject to the Undertaking for Collective Investment in Transferable Securities (UCITS) policy, which allows the implementation of fees and gates at the Board’s discretion if this is deemed in the best interest of shareholders.

The prescribed scenarios for the public debt CNAV and LVNAV MMFs, under EU MMF Reform, are outlined on the following page.

A Money Market Fund (MMF) is not a guaranteed investment vehicle. An investment in MMFs is different from an investment in deposits; the principal invested in an MMF is capable of fluctuation and the risk of loss of the principal is to be borne by the investor. The MMF does not rely on external support for guaranteeing the liquidity of the MMF or stabilising the NAV per share.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. You may not get back the amount originally invested.

Source: BlackRock, 05 May 2023. For illustrative purposes only.

What are liquidity fees and redemption gates?

For investors who require their cash in times of stress, under certain circumstances, a **liquidity fee** may be levied in order to pay for that access (i.e. investors might be required to pay a fee if they redeem shares during this time). This fee may be applied at the discretion of the fund’s board of directors in the best interests of the shareholders.

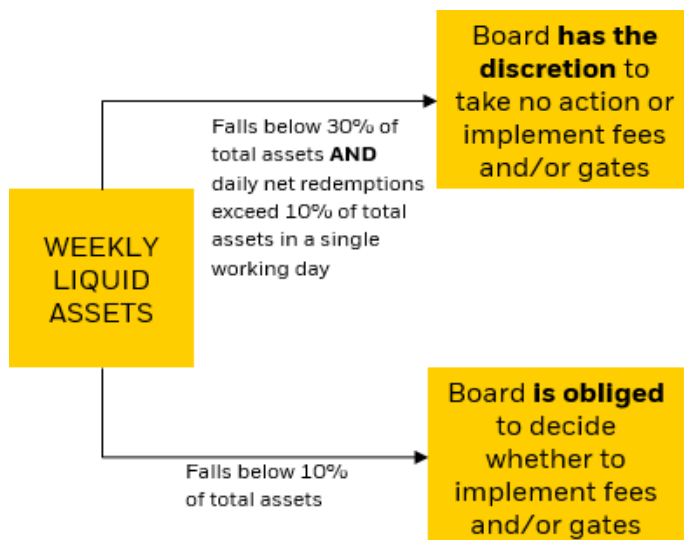
A **redemption gate** is another measure that may be implemented by a fund’s board of directors, under certain circumstances, that limits redemptions in a fund for a short period of time (up to 15 business days in a 90-day period). Its purpose is to prevent a run on a fund in times of market stress.

EU MMF Reform prescribed scenarios for public debt CNAV and LVNAV MMFs

1. If the weekly maturing assets of the fund fall below 30% of total assets and daily net redemptions exceed 10% of total assets on a single working day, the fund's Board has the discretion, but not obligation, to implement liquidity fees and/or redemption gates.
2. If the weekly maturing assets of the fund fall below 10% of total assets, the fund's Board is obliged to decide whether to implement liquidity fees and/or redemption gates.

Please see the below diagram for an illustration of the fees and gates process.

Importantly, fees and/or gates may not be implemented in any fund for more than 15 days out of any 90-day period.



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Context and rationale

Although we believe that it is unlikely the thresholds would be crossed, if such an event were to occur, fees and/or gates would serve as a valuable mechanism in the interest of shareholders as a whole.

Additionally, the operational infrastructure, investment objective, and guidelines of BlackRock's Institutional Cash Series (ICS) funds have been designed with the thresholds of fees and gates in mind.

We have sought to keep a meaningful liquidity buffer above the prescribed regulatory thresholds across our LVNAV and public debt CNAV money market funds, and have successfully maintained liquidity levels well in excess of the 10% daily liquid assets and 30% weekly liquid assets.

Our funds have adhered to this policy every day since long before the implementation of these regulations, which we believe demonstrates our commitment to serving as a fiduciary.

Please contact your BlackRock relationship manager to learn more about fees and gates, or how we manage liquidity in BlackRock's MMFs.

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Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

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