

Upcoming changes to the BMO Money Market Funds

In April 2015, we issued a memorandum entitled "[The effect of regulatory reform on BMO money market funds](#)" which summarized the latest changes in the regulations for money market funds and it remains on our [website](#)¹.

The purpose of this memorandum is to summarize the action needed to be taken by our money market fund investors over the next six months.

No action required by retail investors

Anyone who opened their investment account with the use of a Social Security number has been categorized as a "retail" investor. Retail accounts include individual and joint accounts, IRAs, college savings plans, health savings plans, and ordinary trusts. Owners of these accounts can retain their investment in any of the BMO Money Market Funds as listed below:

BMO Prime Money Market Fund

BMO Tax-Free Money Market Fund

BMO Government Money Market Fund

All three of these funds will continue to maintain a stable net asset value (NAV) of \$1.00 by utilizing the amortized cost method to value portfolio securities in accordance with Rule 2a-7 of the Investment Company Act of 1940.

Since retail investors can retain their money market investments, they have no further action to take at this time.

Other factors retail investors may consider

The new regulations may affect the operations of the Prime and Tax-Free Funds during rare market conditions which may cause certain money market fund investors to reconsider their fund selection.

The boards of directors for all money market funds, other than government money market funds, have been provided new tools in the form of liquidity fees and redemption gates to manage redemptions during rare periods of unusually heavy fund redemptions. When a fund's weekly liquid assets fall below 30% of its total assets, a fund board may consider the implementation of either a liquidity fee of up to 2% or redemption gates, which would suspend redemptions for up to 10 business days. Further, when a fund's weekly liquid assets fall below 10% of its total assets, the fund must impose a liquidity fee of between 1% and 2% on all redemptions unless the fund's board determines that such fee is not in the best interests of the fund shareholders.

Prime and tax-free money market funds also will be required to regularly disclose their daily and weekly liquidity on their website and whether any liquidity fee or gate restriction on redemptions has been imposed or lifted.

As a result of these possible restrictions and the operational challenges created by them, many workplace-defined contribution plans are considering the removal of prime money market funds from the plan's investment line-up in exchange for government money market funds or alternative stable value investment options.

Institutional investors need to make a decision sooner than October 2016

As we mentioned in our 2015 memorandum, institutional investors will no longer be allowed to invest in prime and tax-free money market funds with stable \$1.00 NAVs. They must consider reinvestment into either a government money market fund or one of the new floating NAV money market funds.

Government money market funds had fewer issues during the financial crisis primarily due to the price stability and liquidity associated with securities issued by the U.S. government and its agencies. Due to the liquidity of such investments, retail and institutional investors may coexist within government money market funds. Those funds also will not be subject to the fees and gates that may be applied to other types of money market funds during periods of market stress.

Many institutions are considering the use of government money market funds due to the greater assurance of a stable NAV of \$1.00, the absence of restrictions or costs to redeem, and the continued availability within certain cash sweep arrangements with their financial institution.

Still to be determined is whether institutions will value those benefits when interest rates rise and yields widen as expected between government money market funds and other types of money market funds.

As a result of the new regulations and the need to ease the transitions between types of money market funds,

institutional investors in the BMO Prime and Tax-Free Money Market Funds may be contacted as early as June 2016 to redeem out of their existing fund and offered a choice to transfer to the BMO Government Money Market Fund or the new fund described below.

The new BMO Floating NAV Prime Money Market Fund

In response to the new regulations and the possibility of higher yields than government money market funds, we are in the process of creating the BMO Floating NAV Prime Money Market Fund and have filed a preliminary [prospectus](#)² Both institutional and retail investors may invest in the new fund when its registration statement becomes effective, possibly as early as June 2016. The net asset value (NAV) of the fund will begin at \$1.00 and is not expected to float based on the changing market values of the portfolio securities until October 2016 when the new money market fund rules go into effect. The new fund will be subject to the same liquidity gates and/or redemption fees as discussed earlier.

The new BMO money market fund line-up is summarized below:

Fund	Investor Type	Net Asset Value (NAV)	Liquidity Fee	Redemption Gate
BMO Government Money Market (Premier and Y Shares)	Retail & Institutional	Stable	No*	No*
BMO Tax-Free Money Market (Premier and Y Shares)	Retail only	Stable	Possibly during periods of rare market conditions	Possibly during periods of rare market conditions
BMO Prime Money Market (Premier and Y Shares)	Retail only	Stable	Possibly during periods of rare market conditions	Possibly during periods of rare market conditions
BMO Floating NAV Prime Money Market (Premier and Y Shares)	Retail & Institutional	Floating	Likely during periods of rare market conditions	Likely during periods of rare market conditions

*Government funds are permitted, but not required to impose a liquidity fee or redemption gate.

All investments involve risk, including the possible loss of principal.

You should consider the Fund's investment objectives, risks, charges, and expenses carefully before investing. For a prospectus and/or summary prospectus, which contain this and other information about the BMO Funds, call 1-800-236-3863. Please read it carefully before investing.

The information in the prospectus for the BMO Floating NAV Prime Money Market Fund is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective.

An investment in money market funds is neither insured nor guaranteed by the FDIC or any other government agency. Although money market funds strive to maintain the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

BMO Asset Management Corp. is the investment adviser to the BMO Funds. **BMO Investment Distributors, LLC is the distributor of the BMO Funds. Member FINRA/SIPC.**

Keep in mind that as interest rates rise, prices for bonds with fixed interest rates may fall. This may have an adverse effect on a Fund's portfolio.

Interest income from Tax-Free Fund investments may be subject to the federal alternative minimum tax (AMT) for individuals and corporations, and state and local taxes.

This is not intended to serve as a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. Information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy. This presentation may contain forward-looking statements. "Forward-looking statements," can be identified by the use of forward-looking terminology such as "may," "should," "expect," "anticipate," "outlook," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof, or variations thereon, or other comparable terminology. Investors are cautioned not to place undue reliance on such statements, as actual results could differ materially due to various risks and uncertainties. This publication is prepared for general information only. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investment involves risk. Market conditions and trends will fluctuate. The value of an investment as well as income associated with investments may rise or fall. Accordingly, investors may receive back less than originally invested. **Past performance is not necessarily a guide to future performance.**

For more information visit us at bmo-funds.com.

BMO Global Asset Management is the brand name for various affiliated entities of BMO Financial Group that provide investment management and trust and custody services. Certain of the products and services offered under the brand name BMO Global Asset Management are designed specifically for various categories of investors in a number of different countries and regions and may not be available to all investors. Products and services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations. BMO Financial Group is a service mark of Bank of Montreal (BMO).

BMO Asset Management Corp., BMO Investment Distributors, LLC, BMO Private Bank, BMO Harris Bank N.A. and BMO Harris Financial Advisors, Inc. are affiliated companies. BMO Private Bank is a brand name used in the United States by BMO Harris Bank N.A. BMO Harris Financial Advisors, Inc. is a member FINRA/SIPC, an SEC registered investment adviser and offers advisory services and insurance products. Not all products and services are available in every state and/or location.

Securities, investment advisory and insurance products are:
NOT FDIC INSURED — NOT BANK GUARANTEED — MAY LOSE VALUE.

© 2016 BMO Financial Corp. (4480128, 04/16)