

January 29, 2016

Edition One

In July 2014, the Securities and Exchange Commission (“SEC”) adopted amendments to the rules governing the operation and regulation of money market funds. The amendments impose extensive structural changes on money market funds which will significantly impact investors.

Designation of Retail Funds

Effective October 14, 2016, Prime and Municipal money market funds (but not Government money market funds) must be designated as either “Retail” or “Institutional.” If a fund is designated as a Retail money market fund, then only “natural persons” are permitted to invest in that fund.

Banks, broker dealers, and other financial intermediaries that distribute money market funds are required to comply with all terms and conditions of each money market fund’s prospectus, including but not limited to those provisions relating to shareholder eligibility requirements. Therefore, in preparation for these changes, financial intermediaries should begin reviewing the status of accounts invested in Retail money market funds to identify any accounts that are not beneficially owned by natural persons. Accounts held for the benefit of clients who are not natural persons will need to be moved to an appropriate Institutional money market fund or Government money market fund. Please communicate your plans for significant asset movement to your Federated Relationship Manager, Client Consultant or Sales Representative in advance.

Retail Definition

Prime and Municipal money market funds designated as Retail money market funds will be required to have policies and procedures reasonably designed to limit all beneficial owners of the fund to natural persons. If a Prime or Municipal money market fund does not limit all beneficial owners of the fund to natural persons, then it must be designated as an “Institutional” money market fund.

The Adopting Release and subsequent frequently asked questions (“FAQs”) answered by the SEC provide that beneficial ownership by a natural person is determined based on *investment power* as set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Rule 13d-3 further provides that investment power includes the power to dispose, or to direct the disposition of, a security.

Account Types Permitted to Invest in Retail Prime and Retail Municipal Money Market Funds*

- ✓ participant-directed defined contribution plans
- ✓ individual retirement accounts - 408A of the Internal Revenue Code (“IRC”);
- ✓ simplified employee pension arrangements (section 408(k) of the IRC)
- ✓ simple retirement accounts (section 408(p) of the IRC);
- ✓ custodial accounts (section 403(b)(7) of the IRC);
- ✓ deferred compensation plans for government or tax-exempt organization employees (section 457 of the IRC);
- ✓ Keogh plans (section 401(a) of the IRC);
- ✓ Archer medical savings accounts (section 220(d) of the IRC);

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- ✓ college savings plans (section 529 of the IRC);
- ✓ health savings account plans (section 223 of the IRC);
- ✓ certain ordinary trusts beneficially owned by a natural person (section 7701 of the IRC); and
- ✓ investments held through omnibus accounts at custodians for the benefit of natural persons.

Account Types NOT Permitted to Invest in Retail Prime and Retail Municipal Money Market Funds*

- ✓ accounts not associated with social security numbers (which are not beneficially owned by a natural person);*
- ✓ accounts opened by businesses, including small businesses;
- ✓ defined benefit plans; and
- ✓ endowments

*** The information provided is based on our current understanding of the amendments and related guidance issued by the SEC staff, and is subject to change.**

The links below will assist in determining if your client accounts are beneficially owned by natural persons and therefore eligible to invest in Retail market funds.

- The [Treatment of Ordinary Trusts under the Retail Money Market Fund Definition](#) is a decision tree published by the Investment Company Institute, to assist in the analysis of whether trusts are beneficially owned by natural persons.
- The [Investment Company Institute Social Code Categorization Matrix](#) was created by an ICI industry working group and defines common practices for categorizing retail accounts using the National Securities Clearing Corporation (“NSCC”) listing of social code numbers and descriptions.

Please see Federated’s recent announcements regarding: [Institutional Prime and Tax-Free Money Market Funds](#) and [Retail Money Market Funds](#).

Federated will communicate further updates to you on a periodic basis, but we encourage you to visit our [Liquidity Management Center](#) anytime for additional information on Money Market Reform and the latest details regarding changes to our fund line up.

The information provided is for intermediary informational purposes. You are advised to consult your legal advisors regarding the impact of money market reform on your business and clients.

Please contact your Relationship Management Team with any questions.

Retail money market funds (and Government money market funds) will be permitted to continue to use amortized cost to value their portfolio securities and to transact at a stable \$1.00 net asset value as they do today.

Institutional money market funds will be required to utilize current market-based prices to value their portfolio securities and transact at a floating net asset value (“NAV”) that uses four-decimal-place precision (\$1.0000) rather than utilize amortized cost accounting (except as otherwise permitted to value individual portfolio securities with remaining maturities of 60 days or less at amortized cost in accordance with SEC guidance) and transact at a stable \$1.00 net asset value as they do today.

Retail money market funds and Institutional money market funds (but not Government money market funds) must adopt policies and procedures for imposing liquidity fees on redemptions or temporarily suspending redemptions (“gating”) if the Fund’s weekly liquid assets fall below a certain threshold and the fund’s board of director or trustees determines such actions to be in the best interest of the Fund. Among other requirements, if the Fund’s weekly liquid assets

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fall below 10% of its total assets at the end of any business day, the Fund must impose a 1% liquidity fee on shareholder redemptions unless the board determines that not doing so is in the best interests of the fund. If the fund's weekly liquid assets fall below 30% of its total assets, the board, in its discretion, may impose liquidity fees of up to 2% of the value of the shares redeemed or gate redemptions for a period of not more than 10 business days.

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

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or visit FederatedInvestors.com. Please carefully read the summary prospectus or prospectus before investing.

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