



Money Market Fund Reform and Your Corporate Trust investments

What is the MMF Reform?

- October 14th, 2016 is the deadline for Money Market Fund Families to implement the regulatory changes to Rule 2a-7 required by the SEC. The changes are most significant for institutional prime and tax-free funds but also may affect government money market funds.
- The significant changes for institutional prime money market funds will include the following:
 - Floating NAV: Institutional prime money market funds will be required to maintain a “floating” net asset value (NAV) calculated to four decimal points, meaning that the funds will no longer maintain a stable \$1.00 NAV. Instead, a fund’s NAV will fluctuate based on the current market value of the securities in its portfolio.
 - NAV Strike Times: A majority of fund families have expressed that there will be up to 3 NAV strike times per day. This option would offer intra-day or same-day liquidity to investors, but it is expected to take approximately 100 minutes after the strike time to determine a fund’s NAV. In this scenario, liquidation and purchase values would be unknown until after the NAV is reported.
 - Gates: Institutional prime money market funds’ boards will have discretion to temporarily suspend redemptions by imposing a “gate” if a fund’s weekly liquid assets fall below 30% of its total assets.
 - Fees: Institutional prime money market funds’ boards will have the discretion to impose redemption fees of up to two percent of a redemption if the fund’s weekly liquid assets fall below 30%. If weekly liquid assets fall below 10%, the fund’s board will be required to impose a fee of one percent of a redemption, unless the board determines doing so is not in the best interest of the fund.
 - The gate and fee provisions are mandatory for prime money market funds, and the board must be given the right to impose gates and fees if necessary. The gate and fee provisions are optional for government money market funds and no government money market fund on our platform has decided to enact the right.
 - An informational session on the MMF Reform can be viewed here:
<http://video.db.com/EVEServerProxy/view.gsp?p=RuJjxyRG6R>

What types of funds will be affected?

- On our platform, Prime and Tax Free funds will install floating NAV, fees, and gates.
- Government and offshore funds will remain unchanged by the rules.

How does Money Market Fund Reform affect clients?

- Money Market Fund Reform will affect clients in a few ways
 - Deal documents and investment direction may not contemplate a floating NAV, so they may need to be updated to include a floating NAV as a permitted investment.
 - Clients who invest in floating NAV money market funds could potentially see gates and fees as a result of the reform.
 - Clients who invest in floating NAV money market funds should expect to see a change in principal value as the NAV floats.

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What is Deutsche Bank doing to prepare for the changes in reform?

- Deutsche Bank's Corporate Trust business will be supporting a floating NAV, allowing clients to invest in a floating NAV fund. We are enhancing our trust accounting applications to support all aspects of the fNAV funds, including multiple NAV strikes.

What are the plans for the funds I am currently invested in?

- For existing deals and deal documents, clients will be required to submit an affirmative direction letter if their current investment is converting to an fNAV fund.

How does this affect my Corporate Trust deal and documents?

- For existing deals and deal documents, clients will be required to submit an affirmative direction letter in the event they choose to invest in an fNAV fund. Clients should seek advice from their counsel concerning floating NAV permissibility as an investment under their current contract. Going forward, all new deal documents may include language that will allow a floating NAV fund as a permitted investment decision.

What is Deutsche Bank's client communication plan to let them know of the coming reform and required edits to their deal documents?

- Deutsche Bank will be sending 3 notices, one in June, July, August, and the 3rd notice will have a date as of which their current investment will be moved to a default treasury fund if they have not by then submitted their investment directions to Deutsche Bank. If their funds are moved, there will be a 4th notice letting them know when the move was completed.

What if the client does not provide an investment directive?

- Clients whose existing investments will convert to an fNAV fund are strongly encouraged to submit an investment directive. Clients who do not submit a directive will be considered to have agreed to the default investment change specified in Deutsche Bank's notice to them. Under the default, clients will be automatically converted into the most conservative treasury only fund in the same fund family they are currently invested in. The default investment change will occur at a date to be announced in notice mailings that will be sent in August.

Can clients monitor or obtain information regarding any of the tests that the fund families will produce, like the weekly or daily liquidity tests?

- Clients can monitor this information directly via the fund families' websites.

What will be the difference in yields between prime and treasury funds after the reform?

- The answer is unknown, although many industry participants expect that spread to widen from current levels.

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Will clients continue to have immediate liquidity from their investment in an fNAV fund, and how is the timing for investment and settlements affected?

- Redemptions will not be given value until after the NAV has been determined for a particular fund cutoff (ex. a noon cutoff will not price until ~1:40 PM. Therefore a client who places a trade at 10 AM will not have value on the redemption until after 1:40 PM).

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