For more than 35 years, money market funds have offered investors an effective and efficient tool for investing their cash. In July of 2014, the Securities Exchange Commission (SEC), the federal agency that regulates the Money Market Fund (MMF) industry, announced that it would be implementing several money market rule changes that will go into effect October 14, 2016. The rules have been developed to strengthen the resiliency of money market funds during severe market stresses while maintaining the many benefits that money market funds provide to shareholders. The revised rules are designed to:

• Increase and simplify access to fund information
• Provide fund boards additional tools to preserve the fund’s net asset value in times of market stress.
• Preserve the proven benefits of MMFs for investors such as liquidity, safety of principal and competitive returns.

Money Market Fund Definitions
To understand the impacts of this reform, let’s first look at the different types of money market funds defined by these rules.

Today, money market funds can be divided into three categories according to their investments:

• **Prime funds:** invest in high quality short-term debt obligations as well as U.S. government and federal agency debt.
• **Government funds:** invest in U.S. government and federal agency debt.
• **Municipal funds:** invest in the debt of state and local governments.

“Today’s reforms will reduce the risk of runs in money market funds and provide important new tools that will help further protect investors and the financial system.”

— Mary Jo White, SEC Chair
Money Market Funds
Ready for Today and Tomorrow

The new rules will now go one step further and reclassify money market funds into retail, government and institutional money market funds. The revised definitions include the type of investor eligible for each and are outlined to the right.

**Retail Prime and Municipal/Tax-Exempt Funds:**
- Limit investors of the fund to “natural persons,” which generally means individual investors and certain accounts, such as custodial accounts (i.e., IRAs), whose beneficiaries are individuals.
- Will continue to use a stable $1.00 net asset value (NAV) using amortized cost accounting.
- The fund’s board of directors may impose liquidity fees (up to 2% of redemption proceeds) or redemption gates in times of severe market stress if it is determined to be in the best interest of shareholders in protecting their investment in the fund.

**Government/Treasury Funds:**
- Eligible investors include both “natural” and “non-natural persons.”
- Defined as any money market fund that invests 99.5% (formerly 80.0%) or more of its total assets in cash, government securities or repurchase agreements collateralized by such securities. U.S. Government and Treasury funds are included in this definition.
- Will continue to use a stable $1.00 net asset value (NAV) using amortized cost accounting.
- The funds have no current intention to impose liquidity fees and/or redemption gates.

**Institutional Prime and Municipal/Tax-Exempt Funds:**
- Eligible investors include “natural” and “non-natural persons.” Non-natural persons include financial institutions, corporations, defined benefit plans, endowments and foundations, etc.
- Will be required to trade at a variable net asset value versus a stable net asset value using market value prices to the fourth decimal place (for example, $1.0002).
- The fund’s board of directors may impose liquidity fees (up to 2% of redemption proceeds) or redemption gates in times of severe market stress if it is determined to be in the best interest of shareholders in protecting their investment in the fund.
- The institutional prime and municipal/tax-exempt money market fund definition limits the type of eligible investor that can invest in the fund and requires such a fund to price its shares using a variable net asset value. The reference of an “institutional share class” is not necessarily synonymous with the meaning of an institutional fund but is simply a naming convention that is used to characterize a share class as having a low total expense ratio that carries a higher minimum investment.

In general, prime retail and institutional funds have the potential to provide higher yields than government and treasury funds while municipal funds are designed to generally offer greater tax equivalent yields over government and treasury funds.
Liquidity Fees and Redemption Gates: Checks and balances to protect investor’s principal

Since 2010, the SEC has required money market funds to maintain sufficient portfolio liquidity to meet reasonably foreseeable redemption requests. To ensure portfolio liquidity, the Rule now gives fund boards a set of tools to further protect shareholder principal during periods of exceptional market stress.

- **Liquidity Fee:** A fee that could be imposed on investors for selling or redeeming shares in a money market fund. Liquidity fees provide investors continued access to their liquidity at a cost while reducing the incentives for shareholders to redeem shares.

- **Redemption Gate:** A restriction that stops redemptions, thus preventing investors from selling or redeeming shares in a money market fund for a certain period of time. A gate can be in place no more than 10 business days during any 90-day consecutive period.

A fund’s board of directors will consider market conditions, a fund’s portfolio holdings and the best interest of the shareholders before determining if liquidity fees and/or gates will be imposed. Liquidity fees and redemption gates will be applicable to retail and institutional prime and municipal/tax-exempt money market funds.

There is no current intention to impose fees and gates on Government and U.S. Treasury money market funds.

The rule changes are summarized in Exhibit 1 below.

**Improved communication with shareholders**

Effective April 2016, shareholders have had access to the fund’s levels of daily and weekly liquid asset percentages;** net shareholder inflows or outflows, market-based net asset value per share, and whether any liquidity fees or redemption gates have been imposed or removed on the Dreyfus website.

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**Exhibit 1: Overview of SEC Rules Adopted in 2014**

<table>
<thead>
<tr>
<th>FUND TYPE</th>
<th>NET ASSET VALUE (NAV)</th>
<th>LIQUIDITY FEE</th>
<th>REDEMPTION GATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Prime</td>
<td>Stable</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Retail Municipal/Tax-Exempt</td>
<td>Stable</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>Stable</td>
<td>No*</td>
<td>No*</td>
</tr>
<tr>
<td>Government</td>
<td>Stable</td>
<td>No*</td>
<td>No*</td>
</tr>
<tr>
<td>Institutional Prime</td>
<td>Floating</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Institutional Municipal/Tax-Exempt</td>
<td>Floating</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

* There is no current plan to impose liquidity fees and/or redemption gates.

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** Daily and weekly liquid assets include cash, U.S. Treasuries, or securities that mature or are subject to a demand feature within one business day.**
We're here to help

As the money market fund industry prepares to implement the SEC’s money market regulatory reforms, Dreyfus is prepared to support the investment needs of our valued clients. Here's a quick summary of how the new rules will affect institutional and retail investors.

Effective October 14, 2016:

- If you are invested in a fund that will be classified as retail stable NAV fund and are not a natural person, you will have to choose another investment option such as a government/treasury money market fund, FDIC insured deposit program or private placement fund to continue to invest in a money market vehicle with a stable NAV.
- If you are a client and invested in a fund that will be classified as a retail prime/municipal money market fund and are a natural person, you can continue to invest in the funds as you do today.
- If you own a government or treasury stable NAV money market fund, you can continue to invest in the funds as you do today.

Money market funds continue to provide a competitive and efficient investment option to invest cash. We believe these changes provide greater protection of principal while still providing competitive income to enhance an investor’s overall portfolio.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation, or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund. Fund yields fluctuate.

Short-term corporate, asset-backed and municipal securities holdings (where applicable), while rated in the highest rating category by one or more NRSRO (or if an unrated municipal, deemed of comparable quality by Dreyfus), involve additional credit and liquidity risks and risk of principal loss.

Municipal income may be subject to state and local taxes for out-of-state residents. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable.

The Dreyfus Corporation, a subsidiary of BNY Mellon, is the fund’s investment adviser. BNY Mellon is the corporate brand for The Bank of New York Mellon Corporation. MBSC Securities Corporation is a registered broker-dealer, a member of FINRA and a wholly-owned subsidiary of Dreyfus. BNY Mellon Investment Management is one of the world’s leading asset management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon’s affiliated investment management firms, wealth management services and global distribution companies.