European Money Market Reform – What You Need To Know

Presented by:
Robert O’Riordan
James O’Connor and
Timothy Barrett

For Use With Financial Professionals Only. Not For Use With The General Public

Offshore: BNY Mellon/Insight Investment Partnership

One of the largest offshore MMF providers

- $53 billion combined assets under management
- 4th largest offshore money market fund provider (out of 24)*

Multi-currency/product offering

- $16 billion USD assets under management
- £25 billion GBP assets under management
- €4 billion EUR assets under management

**BNY Mellon**
- Government: $11 billion
- Prime: $5 billion

**Insight Investment**
- Government: £2 billion
- Prime: £23 billion

*Source: Ranking based on iMoneyNet IMMFA report.*

Assets under management as of 5th October, 2018. Offshore MMFs are not eligible for “US Persons”
Offshore: Constant Net Asset Value Money Fund Universe

Source: IMMFA as at 31st December, 2017
## Summary: European Money Fund Reform Regulation

<table>
<thead>
<tr>
<th>EU Fund Structure</th>
<th>Fund Type</th>
<th>WAM/Final Maturity</th>
<th>Weekly Liquidity</th>
<th>Gates and Fees</th>
<th>Security Level Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short Term MMF</strong></td>
<td>Constant NAV Public Debt</td>
<td>60 days/397 days</td>
<td>30%</td>
<td>Regulation</td>
<td>Amortized Cost</td>
</tr>
<tr>
<td></td>
<td>Low Volatility NAV (Prime)</td>
<td>60 days/397 days</td>
<td>30%</td>
<td>Regulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Variable NAV Prime</td>
<td>60 days/397 days</td>
<td>15%</td>
<td>UCITS (gates) and Prospectus</td>
<td>Mark-to-market/mark-to-model only</td>
</tr>
<tr>
<td><strong>Standard MMF</strong></td>
<td>VNAV</td>
<td>6 months/2 years</td>
<td>15%</td>
<td>UCITS (gates) and Prospectus</td>
<td>Mark-to-market/mark-to-model only</td>
</tr>
</tbody>
</table>
Security Level Valuation Post Reform

Government CNAV

- Amortised
- 0 days ↔ 397 days

Prime VNAV

- Mark to market
- 0 days ↔ 397 days

Prime LVNAV

- Amortised
- Mark to market
- 0 days ↔ 75 days ↔ 397 days

LVNAV: If security NAV is greater than 10bp from the CNAV than priced using MTM

Source: Insight Investment. October 2017
When Does an LVNAV Fund Post CNAV or VNAV

The difference between the CNAV and the actual NAV will have to be published daily

Source: Graphs for illustrative purposes
Restrictions to Redemptions
Liquidity fees and redemption gates

- CNAV and LVNAV short-term MMFs will be subject to liquidity fees and redemption gates
- No specific redemption constraining measures applicable to short-term VNAV MMFs and standard VNAV MMFs, other than usual available UCITS measures including:
  - Dilution levies, redemption fees and swing pricing
  - Redemption gates
  - Temporary suspension of dealing

Liquidity fees and redemption gates – CNAV and LVNAV

1. If weekly liquidity < 30% and daily net redemptions > 10%
   - Liquidity fees, gates or temporary suspension of redemptions may be introduced at discretion of fund board

2. If weekly liquidity < 10%
   - Mandatory implementation of liquidity fees or temporary redemptions suspension

3. If redemptions suspension > 15 days over 90 consecutive days
   - Restructure fund to VNAV

## Summary: Insight Investment’s Money Fund Lineup

<table>
<thead>
<tr>
<th>Fund Structure</th>
<th>Insight Investment</th>
<th>Currency</th>
<th>Structure</th>
<th>Conversion date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short Term MMF</strong></td>
<td>Government Liquidity Fund</td>
<td>Sterling</td>
<td>CNAV Public Debt</td>
<td>November 2018</td>
</tr>
<tr>
<td></td>
<td>Insight Sterling Liquidity Fund</td>
<td>Sterling</td>
<td>LVNAV Prime</td>
<td>November 2018</td>
</tr>
<tr>
<td></td>
<td>Insight Euro Cash Fund</td>
<td>Euro</td>
<td>VNAV Prime</td>
<td>November 2018</td>
</tr>
<tr>
<td><strong>Short Term Bond Fund</strong></td>
<td>Insight Sterling Liquidity Plus</td>
<td>Sterling</td>
<td>VNAV</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Insight Euro Liquidity Plus</td>
<td>Euro</td>
<td>VNAV</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The funds outlined are not available to U.S. Persons (as described in the Prospectus) and may only be offered and sold in accordance with Regulation S under the U.S. Securities Act of 1933.
Summary: BNY Mellon Funds Money Fund Lineup

<table>
<thead>
<tr>
<th>Fund Structure</th>
<th>BNY Mellon Liquidity Funds</th>
<th>Currency</th>
<th>Structure</th>
<th>Conversion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term MMF</td>
<td>BNY Mellon U.S. Treasury Fund</td>
<td>U.S. Dollar</td>
<td>CNAV Public Debt</td>
<td>January 14, 2019</td>
</tr>
<tr>
<td></td>
<td>BNY Mellon U.S. Dollar Liquidity Fund</td>
<td>U.S. Dollar</td>
<td>LVNAV Prime</td>
<td>January 14, 2019</td>
</tr>
</tbody>
</table>

The funds outlined are not available to U.S. Persons (as described in the Prospectus) and may only be offered and sold in accordance with Regulation S under the U.S. Securities Act of 1933.
BNY Mellon Liquidity Funds Overview

**BNY Mellon U.S. Dollar Liquidity Fund**

**Fund Summary**
- Fund Established: November 1998
- Portfolio Manager: James O’Connor
- Market Value: $4,946,119,435
- Weighted Average Maturity (To Reset): 40 Days
- Weighted Average Life (To Final): 48 Days
- Percent Overnight Liquidity: 31.60%
- Percent 7-Day Liquidity (Including Treasury/Sovereigns): 40.63%

**Yields for Period Ending 28/9/18**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Expense Ratio</th>
<th>30-Day Simple*</th>
<th>Year-to-Date</th>
<th>One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon U.S Dollar Liquidity</td>
<td>0.15%</td>
<td>2.02%</td>
<td>1.77%</td>
<td>1.59%</td>
</tr>
<tr>
<td>Fund/Advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore Money Fund Report™ U.S.$</td>
<td>1.98%</td>
<td>1.71%</td>
<td>1.52%</td>
<td></td>
</tr>
</tbody>
</table>


**BNY Mellon U.S. Treasury Fund**

**Fund Summary**
- Fund Established: November 1998
- Portfolio Manager: James O’Connor
- Market Value: $11,352,442,573
- Weighted Average Maturity (To Reset): 34 Days
- Weighted Average Life (To Final): 49 Days
- Percent Overnight Liquidity: 100.00%
- Percent 7-Day Liquidity (Including Treasury/Sovereigns): 100.00%

**Yields for Period Ending 28/9/18**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Expense Ratio</th>
<th>30-Day Simple*</th>
<th>Year-to-Date</th>
<th>One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon U.S. Treasury Fund</td>
<td>0.15%</td>
<td>1.88%</td>
<td>1.53%</td>
<td>1.34%</td>
</tr>
<tr>
<td>Fund/Advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore Money Fund Report™ U.S.$</td>
<td>1.98%</td>
<td>1.71%</td>
<td>1.52%</td>
<td></td>
</tr>
</tbody>
</table>


As of September 30, 2018 *Source: BNY Mellon Fund Services (Ireland). The funds outlined are not available to U.S. Persons (as described in the Prospectus) and may only be offered and sold in accordance with Regulation S under the U.S. Securities Act of 1933. The month-end performance data quoted represents past performance which is no guarantee of future results. 30-day yield is based upon dividends per share from net investment income during the past 30 days, divided by the period ended maximum offering price per share and annualized.
## Preparing for Reform: Key Operational Considerations

### Normal Market Conditions: Processing

<table>
<thead>
<tr>
<th>BNY Mellon Liquidity Funds</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Line-Up</strong></td>
<td>The BNY Mellon Liquidity Funds will continue to offer the U.S. Dollar Liquidity and the U.S. Treasury Funds and respective share classes. &lt;br&gt;• On or about January 14, 2019, the funds will be categorized as:</td>
</tr>
</tbody>
</table>
| | Ø BNY Mellon U.S. Dollar Liquidity Fund - Short-Term Low Volatility Net Asset Value (LVNAV)  
Ø BNY Mellon U.S. Treasury Fund - Short-Term Public Debt (Government) Constant Net Asset Value (CNAV) | |
| **Pricing** | The BNY Mellon Liquidity Fund Family will continue to support a constant NAV (CNAV) during normal market conditions  
• One valuation/pricing time at 5:00 p.m. EST* | Business as Usual |
| **Transaction Processing** | Current methods of transacting in the funds will remain unchanged and continue to be supported | Business as Usual |
| **Settlement** | Continue to support intra-day liquidity in accordance with current operational processes | Business as Usual |
| **Dividend Distribution** | Continue to support current dividend process (i.e. daily accrual/monthly payout) | Business as Usual |

### Liquidity Event: Processing

| **Collar Breach (LVNAV)** | The BNY Mellon US Dollar Liquidity Fund will be required to convert from CNAV to floating NAV pricing per the regulation. Fund pricing will move from two decimal to four | Potential system development required to support pricing structure change  
• Change to valuation/pricing time  
• Redemption settlement after strike price |
| **Liquidity Fees** | Fees will be determined and assessed by the Fund at the close of trading | Transactions and settlement will pend until close of business & fee calculation  
• Intra-day liquidity will be suspended & moved to end-of-day  
• Potential requirement for omnibus clients to separate purchase and redemption activity to allow fund to assess fee |
| **Redemption Gates / Suspension** | Fund board may implement partial gates or fund suspension upon redemption and/or liquidity triggers | Transactions and settlement will pend until close of business and gate calculation  
• Redemption amounts will not be available until after close of business |

*Pending regulator approval
Important Information

The funds outlined are not available to U.S. Persons (as described in the Prospectus) and may only be offered and sold in accordance with Regulation S under the U.S. Securities Act of 1933. BNY Mellon Liquidity Funds plc is an open-ended investment company with variable capital and segregated liability between sub-funds, incorporated with limited liability under the laws of Ireland. It qualifies and is authorized in Ireland by the Central Bank of Ireland as an undertaking for collective investments in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities — “UCITS”) Regulations, 2011 (S.I. No. 352 of 2011), as amended. The Manager of BNY Mellon Liquidity Funds plc is BNY Mellon Global Management Limited, 33 Sir John Rogerson’s Quay, Dublin 2, Ireland. The Manager is approved as a management company and regulated by the Central Bank of Ireland under the European Communities (UCITS) Regulations, 2011 (S.I. No. 352 of 2011), as amended. This is a financial promotion and is not intended as investment advice. BNY Mellon Investment Management and its affiliates are not responsible for any subsequent investment advice given by non-affiliates based on the information contained herein. This document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorized. Any offer of securities may be made only by means of the Prospectus and/or Key Investor Information Document (KIID). Past performance is not a guide to future performance. The value of investments and the income therefrom is not guaranteed and can fall as well as rise due to a variety of factors, including interest rate, stock market and currency movements. No investment strategy or risk management technique, including the ones used by the fund described herein, can guarantee return or eliminate risk. When you sell your investment you may get back less than you originally invested. No warranty is given as to the accuracy or completeness of the information contained herein and no liability is accepted for errors or omissions in such information. The information in this material is only as current as the date indicated, and may be superseded, at any time and without notice, by subsequent market events or for other reasons. BNY Mellon Investment Management and its affiliates do not undertake to revise or update this information in any way. An investment in the funds described herein involves certain risks. Prospective investors should ensure that they: (i) independently investigate the investment strategy and manager; (ii) understand the nature of the investment and the extent of their exposure to risk; (iii) have sufficient knowledge and experience to make their own legal, tax, accounting, and financial evaluation of the merits and risks of participating in an investment in the products described herein; (iv) consult with qualified investment, legal, and tax professionals before making any investment; and (v) consider the suitability of investing in the products described herein in light of their own circumstances and financial condition. Neither the BNY Mellon Liquidity Funds plc nor any of its sub-funds has, or will be, registered in the U.S. under the Investment Company Act of 1940, and the shares in the sub-funds are not registered under the U.S. Securities Act of 1933. Therefore, investors will not be entitled to the benefits of such registration(s).

Investors must carefully consider the risks associated with the investments described herein, some of which include: i) investing in the sub-funds is not comparable to investing in a deposit account; ii) investments are subject to uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investments are made or in which the BNY Mellon Liquidity Funds plc is incorporated; iii) the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection of information to investors as would generally apply in major securities markets; iv) a sub-fund may use futures or options which can increase volatility and the risk of loss; v) the value of a sub-fund will fluctuate in accordance with the changes in the foreign exchange rate between the euro, the dollar, the sterling and the currencies in which the sub-fund’s investments are denominated, therefore creating an exposure to currency risk; vi) value of a sub-fund may be affected by changes in interest rates and the creditworthiness of issuers of the sub-fund’s investments; and vii) certain sub-funds may invest in lower-rated fixed income securities, and such securities carry a higher degree of default risk which may affect the value of an investment. The foregoing list of certain risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the fund described herein. In addition, as the investment markets and investment products develop and change over time, an investment may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred. Investors should read the Prospectus and/or KIID before deciding to invest. These documents can be obtained from BNY Mellon Global Management Limited or from MBSC Securities Corporation. This document is distributed to intermediaries or other financial professionals in the United States by MBSC Securities Corporation located at 200 Park Avenue, New York, NY 10166, U.S.A. MBSC Securities Corporation, a sub-distributor of the BNY Mellon Liquidity Funds plc, is a registered broker-dealer. BNY Mellon Cash Investment Strategies is a division of The Dreyfus Corporation. BNY Mellon Investment Management is one of the world’s leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon’s affiliated investment management firms and global distribution companies, which include MBSC Securities Corporation, Insight, BNY Mellon Global Management Limited, and The Dreyfus Corporation. The information contained herein may not be reproduced or redistributed in whole or in part without the written consent of MBSC Securities Corporation. BNY Mellon is the corporate brand for The Bank of New York Mellon Corporation.

CIS-38668-2018-10-12