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The New Regulations: A Summary

New Securities and Exchange Commission (SEC) regulations involving money market mutual funds, passed in July 2014, will go into effect in October 2016. The new regulations:

- define retail and institutional funds based on natural person ownership. Only natural persons (individual investors) or accounts beneficially owned by them can own (buy into) retail money market mutual funds. (The SEC concluded that, historically, retail investors have been less likely than institutional investors to make large redemptions from money market mutual funds during times of market stress.)
- allow only retail and government funds to seek to maintain a stable (\$1.00) net asset value (NAV).
- require institutional prime and municipal (muni) funds to implement a floating NAV with four-decimal pricing.
- establish rules for liquidity fees and redemption gates (restrictions).

You may be contacted about the changes to money market mutual fund policies if you hold these funds in your TD Ameritrade account.

Who is affected by the new regulations?

Anyone holding a money market mutual fund could be affected by the new regulations.

- A natural person or accounts beneficially owned by one would potentially be affected by the liquidity fee and redemption gate rules. See below for the definition of "natural person."
- An entity account (defined as a non-natural person, such as a corporation) will not be allowed to hold prime¹ or municipal² money market mutual funds that seek a stable (\$1.00) value, but will be able to hold stable value government money market mutual funds.

These regulations will impact money market mutual fund sweep options.³ If your account type is not considered a natural person (see below) and your cash sweep vehicle currently holds prime or municipal money market mutual funds that seek a stable value, you will receive notice that you need to change your sweep vehicle. The TD Bank FDIC Insured Deposit Account (IDA) and TD Ameritrade Cash will NOT be affected, as they are not money market mutual funds.

The affected money market mutual fund cash sweeps include all classes of:

Prime funds:

- TDAM Money Market Portfolio
- Vanguard Prime Money Market

Municipal funds:

- TDAM California Municipal Portfolio
- TDAM Municipal Portfolio
- TDAM New York Municipal Portfolio

If you are not sure what sweep option your available cash is in, please log in to your account and look under My Account > Positions.

If you hold a money market mutual fund outside of the sweep product, please refer to the fund prospectus for additional information. TD Ameritrade will contact you if the fund makes a change that impacts your eligibility to hold it.

Who/what is a natural person?

A natural person is a natural single human being, as well as an entity account that has a natural person(s) as its beneficial owner(s). This would include simplified employee pension plans, Keogh plans, medical savings accounts, college savings plans, health savings accounts, and ordinary trusts whose beneficiary(s) is a natural person.

The following examples of account types will generally NOT be considered a natural person:

- Tenants in Common
- Foreign Trust
- Trusts (other than ordinary trusts whose beneficiary(s) is a natural person)
- Conservator
- Foreign Guardian
- Foreign Intermediary
- Guardian
- Traditional Beneficiary IRA
- Sole Proprietorship
- Investment Club
- Foreign Estate

What is the reference to fees and gates about?

The new regulations allow a fund's board to impose fees or a "gate" (a restriction) on the redemption (the sale, or liquidation) of shares in the fund if the fund's weekly liquid assets fall below 30% of total assets. The board may elect to charge a liquidity fee of up to 2% on shareholder redemptions, or impose a halt on all shareholder redemptions (in other words, a "gate") for no longer than 10 days. Additionally, if weekly liquid assets fall below 10% of total assets, the new regulations require a prime or municipal fund to impose a liquidity fee of 1%, unless the fund's board determines that such a fee is not in the fund's best interests.

Government⁴ and Treasury⁵ funds are not covered by these rules but may impose a gate or fee at the fund board's discretion.

If a “gate” is imposed and I have a money market mutual fund sweep, would I be able to access my cash?

No. If a gate is imposed, you would not be able to access the cash invested in your money market mutual fund sweep until the gate is removed.

Why were the new rules about fees and gates created?

The new rules are designed to address concerns about price fluctuations in money market funds while preserving the benefits these funds provide to investors. They would potentially give fund companies the ability to halt or slow redemptions in times of extraordinary market stress.

When will I be notified if I am affected?

If your account type is not considered a natural person (see above) and your cash sweep vehicle currently holds affected prime or municipal money market mutual funds, TD Ameritrade will contact you during the month of June 2016 to inform you that your sweep selection needs to be changed, and to let you know about your alternatives.

If you hold a money market mutual fund outside of the sweep product, TD Ameritrade will contact you if the fund makes a change that impacts your eligibility to hold it.

What alternatives does TD Ameritrade have for available cash?

If your account type is not considered a natural person (see above) and your cash sweep vehicle currently holds affected prime or municipal money market mutual funds, you will need to change your sweep vehicle before the new regulations go into effect. Your alternatives include the TD Ameritrade FDIC Insured Deposit Account (IDA), TD Ameritrade Cash, and government money market funds.

TD Ameritrade FDIC Insured Deposit Account (IDA)

Most clients are eligible for the TD Ameritrade FDIC Insured Deposit Account (IDA), a cash sweep vehicle that earns equal or greater interest on cash balances than those balances would otherwise earn in a brokerage account when the money is not currently invested in securities. [Learn more](#) about interest rates for Insured Deposit Accounts.

Balances in a TD Ameritrade FDIC Insured Deposit Account are held at TD Bank, N.A. and TD Bank USA, N.A., or both, where they are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per depositor, per bank. Because there are two banks in the IDA program, IDA balances could be covered for up to \$500,000 per depositor. TD Bank N.A. and TD Bank USA, N.A. are affiliates of TD Ameritrade.⁶

TD Ameritrade Cash

TD Ameritrade Cash is the cash balance held in your brokerage account that is currently not invested. Money in TD Ameritrade Cash earns simple interest and is insured by the Securities Investor Protection Corporation (SIPC). TD Ameritrade pays interest on available cash balances in a brokerage account based on its current rates and policies, which are subject to change. Interest earned on TD Ameritrade Cash will be accrued daily and credited on the last business day of each month. [Learn more](#) about the interest earned by TD Ameritrade Cash.

TD Ameritrade, Inc. is a member of the SIPC, which protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). An explanatory brochure is available on request at www.sipc.org.⁷

TDAM U.S. Government Portfolio (Class A)

TDAM U.S. Government Portfolio (Class A) invests primarily in obligations issued or guaranteed by the U.S. government, its agencies, or instrumentalities. Obligations guaranteed by the U.S. government ensure payment of a fixed rate of return and principal value if held to maturity. Any obligation guarantee does not eliminate market risk.

Money market funds, such as mutual funds, are neither FDIC-insured nor guaranteed by the U.S. government or a government agency and are not deposits or obligations of, or guaranteed by, any bank. There can be no assurance that these funds will be able to maintain a stable net asset value of \$1 per share. It is possible to lose money by investing in money market funds. Tax-exempt funds may pay dividends that are subject to the alternative minimum tax and also may pay taxable dividends due to investments in taxable obligations.

1. A prime money market fund invests primarily in short-term corporate debt securities but may also invest in other debt instruments, including U.S. government and asset-backed securities, as well as commercial paper.
2. A municipal (or “muni”) fund is a money market fund that invests in municipal bonds, or “munis.” Munis are debt securities issued by state or local governmental agencies to finance day-to-day operations or capital projects.
3. At the end of every business day, the cash balance in your TD Ameritrade brokerage account—money you may have received from dividends, interest payments, or settled funds from a deposit or the sale of securities that have not yet been invested—is swept into a sweep option. This is known as the automatic cash sweep feature in your brokerage account.
4. After the effective date of the regulation, a government money market fund will invest almost exclusively in government and government agency short-term instruments.
5. After the effective date of the regulation, a Treasury money market fund will invest almost exclusively in government and U.S. Treasuries.
6. The FDIC insures money based on the account owner, not the individual account. This means that if you have more than one account at TD Bank or TD Bank USA (including certificates of deposit), the FDIC covers the combined value of these accounts at each respective bank. If you hold an IDA, please make sure that you know the extent of your FDIC coverage and that you monitor your entire deposit at TD Bank and TD Bank USA, including the money held in the IDA, to make sure your money is fully protected. To learn more about FDIC coverage, go to www.fdic.gov.
7. Additionally, TD Ameritrade provides each client \$149.5 million worth of protection for securities and \$2 million of protection for cash through supplemental coverage provided by London insurers. In the event of brokerage insolvency, a client may receive amounts due from the trustee in bankruptcy and then SIPC. Supplemental coverage is paid out after the trustee and SIPC payouts and under such coverage each client is limited to a combined return of \$152 million from a trustee, SIPC, and London insurers. The TD Ameritrade supplemental coverage has an aggregate limit of \$500 million over all customers. This policy provides coverage following brokerage insolvency and does not protect against loss in market value of the securities.