

# Qualifying Money Market Funds: A smart cash management solution

In today's higher interest rate environment, firms are seeking smarter ways to manage client money, not just to meet regulatory obligations, but to enhance financial and operational outcomes. **Qualifying Money Market Funds (QMMFs)** offer a compelling alternative to traditional bank deposits, combining capital preservation, liquidity, diversification and yield potential within a robust regulatory framework.

## Adapting to regulatory change

Regulatory expectations are also evolving; **CASS 7.13.10R** outlines the permitted destinations for client money, which include central banks, authorised credit institutions, and — under specific conditions QMMFs.

To use a QMMF, firms must:

- Inform clients and obtain their explicit consent to the placement of their money into the QMMF
- Exercise due skill, care, and diligence in selecting and reviewing the fund
- Ensure the fund meets the FCA's definition of a QMMF
- Consider diversification and assess the specific legal entity holding the money

This framework is designed to ensure that client money remains protected, accessible, and appropriately managed — even when held outside traditional bank accounts.

## Federated Hermes liquidity capabilities

- Cash-management pioneer and money market leader since 1974.
- Total managed assets of \$845.7bn of which \$634.4bn AUM in liquidity.<sup>1</sup>
- Sterling, euro and dollar denominated money market funds.
- Our dedicated team averages 24 years of industry experience.
- Federated Hermes was the first to use "money market" in a fund name when we launched our inaugural money market fund in 1974.

<sup>1</sup> As at 30/06/2025

## What makes a fund 'qualifying'?

A QMMF must be a UK UCITS, authorised under the UK's implementation of the UCITS Directive, and meet strict standards for liquidity, transparency, and risk management. This ensures suitability for protecting client money under FCA rules.

## Why consider Federated Hermes Short-Term Sterling Prime Fund over bank deposits?

While bank accounts remain a familiar option for holding client money, they are increasingly constrained by capital rules that limit interest rates and flexibility. A QMMF such as **Federated Hermes Short-Term Sterling Prime Fund** offers a strategic alternative.



### Investment benefits – enhancing value and stability

- **FCA regulated:** Fully compliant with UK regulatory standards as a UK UCITS Low Volatility NAV (LVNAV) Money Market Fund.
- **AAA-rated fund:** Has AAA ratings from S&P and Fitch, ensuring strong credit quality.
- **Attractive yield potential:** Compared to traditional government securities.
- **Low Volatility NAV:** Capital preservation fortified with a £1 net asset value.
- **Diversified holdings:** Exposure to 40-60 high-quality short-term assets helps mitigate market volatility and improves counterparty diversification.
- **Expert management:** Run by dedicated professionals with deep market insight.
- **Stress-tested reliability:** Regular stress tests aim to ensure MMFs are resilient during market dislocation.
- **Economies of scale:** Investors benefit from pooled resources and cost efficiencies.

### Operational benefits – supporting agility and compliance

- **Same-day liquidity (T+0):** Immediate access to full balances for operational flexibility. T+1 also available if needed.
- **Straightforward transactions:** Simple processes for investing and redeeming.
- **Secure redemptions:** Proceeds can be sent only to designated client money bank accounts.
- **Clear client money identification:** Your client money bank accounts will be named correctly in our system and statements for transparency.
- **Global administration:** Benefit from institutional-grade fund servicing.

### A practical addition to your client money strategy

Federated Hermes' UK-domiciled LVNAV Money Market Fund is designed to meet both regulatory and operational needs, offering a low-volatility, high-liquidity solution for protecting client money. It's a practical choice for firms seeking to balance compliance, performance, and operational efficiency.

**For more information on our liquidity solutions, visit:**  
[hermes-investment.com/liquidity](https://hermes-investment.com/liquidity)



**The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Any investments overseas may be affected by currency exchange rates. Past performance is not a reliable indicator of future results and targets are not guaranteed.**

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Federated Hermes Short-Term Sterling Prime Fund and Federated Hermes Sterling Cash Plus Fund are sub-funds of Federated Hermes Cash Management Funds (the "UK Company"). The UK Company is authorised in the UK and regulated by the Financial Conduct Authority ("FCA"). The UK Company is an open-ended investment company with variable capital comprising sub-funds operated as distinct funds with each having its own segregated portfolio of investments.

For more information about any of our funds, please contact us to request additional documentation, including the prospectus, the key investor information document, and the latest semi-annual report and annual report, or visit [FederatedInvestors.co.uk](http://FederatedInvestors.co.uk) for fund documents. Before investing, carefully consider the fund's investment objectives, risks, charges and expenses. Further information about these and other important subjects can be found in each fund's prospectus.

Money market ratings are based on an evaluation of several factors, including credit quality, diversification and maturity of assets in the portfolio, as well as management strength and operational capabilities. A money market fund rating by Standard & Poor's is granted after evaluating a number of factors, including credit quality, market price exposure and management. An AAAM rating by Standard & Poor's means that the fund has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. An AAAf rating by Standard & Poor's means that the fund's portfolio holdings and counterparties provide extremely strong protection against losses from credit defaults. Money market funds rated Aaa-mf by Moody's are judged to be of an investment quality similar to Aaa-rated fixed income obligations, that is, they are judged to be of the best quality. Fitch's money market fund ratings are an assessment of a money market fund's capacity to preserve principal and provide liquidity through limiting credit, market and liquidity risk. For more information on credit ratings, visit [standardandpoors.com](http://standardandpoors.com), [v3.moody.com](http://v3.moody.com) and [fitchratings.com](http://fitchratings.com). Ratings are subject to change and do not remove market risk. Credit ratings do not provide assurance against default or other loss of money and can change.

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BD016694 0019271 10/2025

## Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns and, where possible, to contribute to positive outcomes that benefit the wider world.

## Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by five decades of experience
- **Private markets:** private equity, private credit, real estate and infrastructure
- **Stewardship:** corporate engagement, proxy voting and policy advocacy

For more information, visit [www.hermes-investment.com](http://www.hermes-investment.com) or connect with us on social media:

