

# Discontinuation of LIBOR

## Federated Hermes transition program

### Definition of LIBOR

Certain debt securities, derivatives or other financial instruments in which the Federated Hermes Funds may invest, utilize the London Interbank Offered Rate (LIBOR) as the reference/benchmark rate for interest rate calculations. LIBOR is a measure of the average interest rate at which major global banks can borrow from each other. It is quoted in five currencies over seven maturities using data reported by a panel of private-sector banks.

### Challenges with using LIBOR as a reference/benchmark rate

Following allegations of rate manipulation in 2012 and concerns regarding its thin liquidity, the use of LIBOR came under increasing scrutiny, and in July 2017, the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it will terminate oversight and publication of LIBOR after 2021. In November 2020, ICE (appointed by the FCA as the administrator of LIBOR) announced an extension to the discontinuation date for USD LIBOR to June 30, 2023. In the U.S., the anticipated successor rate will be the Secured Over-night Financing Rate, or SOFR.

### Federated Hermes response to the discontinuation of LIBOR

In 2019 Federated Hermes formed a LIBOR transition team with representation across several areas of responsibility, to include (but not limited to) investment management, technology, trading, legal, compliance, funds financial services, and product management. Each discipline represented on the transition team is focusing on steps necessary to effect a smooth transition away from LIBOR. Federated Hermes is carefully monitoring developments with respect to the phase-out of LIBOR as well as the market adoption of the ISDA recommended SOFR plus a spread adjustment for U.S. dollar exposure. As we approach the cessation date, a guiding objective is that, we do not want exposure to LIBOR-linked securities that mature after Dec. 31, 2021 or June 30, 2023 as applicable (or an earlier/later date, if the transition date is changed by regulators) that do not have adequate fallback language to permit the transition from LIBOR to an alternative index in an appropriate manner.

### Federated Hermes Funds usage of securities benchmarked to LIBOR

Funds that hold floating rate securities issued by U.S. government agencies or by prime issuers may hold securities benchmarked to LIBOR, in addition to other index types. No money market funds own LIBOR-based securities maturing after 2021. However, across the investment industry, funds holding investment grade bonds, asset-backed securities, loans and some municipal securities currently hold or may hold LIBOR-linked floating-rate securities with maturities beyond Dec. 31, 2021 or June 30, 2023 as applicable. The movement away from LIBOR will necessitate the conversion of LIBOR-based securities to the use of other reference rates, notably the ISDA recommended SOFR plus a spread adjustment.

### Risk disclosure

Risk disclosures have been added to the Statement of Additional Information for all Federated Hermes funds that utilize securities benchmarked to LIBOR. The Statement of Additional Information can be found under the "Documents" tab of each fund's web page on [federatedinvestors.com](http://federatedinvestors.com).