

iMoneyNet's 2010 Money Market Portal Survey

By Mary Ellen Tuthill

Sponsored by:

MyTREASURY

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Executive Summary

The evolution of the money-market fund portal is akin to the genie in the bottle. Once released, there is no putting him back. The ease the portals provide their users as they navigate the money-fund universe make it unthinkable that they would ever return to exclusive use of the phone and/or fax machine to transmit orders. Technology is advancing at warp speed and the cash management business is no exception. With proper safeguards in place, the portal may contribute to the user's peace of mind.

This point was raised by Bill Anderson, portfolio manager for Fortis Funds. He told us that today the portals are at a crossroads and their success depends on which way they chose to travel. In his view, the proper path is one of service and standardization. He said with the preponderance of data coming our way, the portals should seize the opportunity to become a conduit, a gathering place, for all the information one would need to make intelligent and deliberative investment decisions. And he said, "It's important to have people behind every product and every relationship."

We want to thank the 11 portal providers who took the time to share their offerings and opinions for this survey. In addition, this report conveys trends which have surfaced since our last survey which was conducted in 2007. The landscape is dramatically different. We, at iMoneyNet, hope you take away from this a renewed understanding of which direction you want to travel as you continue to invest in funds, manage funds or operate a portal platform.

Technological advancements have accelerated across the board. One that is of particular interest to portals is the inclusion of small and mid-sized companies in their story. Web-based programs permitting corporate cash managers to view all activities and holdings at the click of a mouse have made their lives easier while at the same time provided new opportunities for portal participation.

iMoneyNet would like to thank MyTreasury for sponsoring this survey. MyTreasury stands as a sterling example of a present-day portal. Chief Executive Justin Meadows says his U.K.-based company is "growing rapidly" and has been given permission to operate in Hong Kong, China, Singapore and the U.S. We wish him continued success in his endeavors and we appreciate MyTreasury's support of ours!



No More 'Short-List'

“Portal Power, Now for Institutional Investors, Too” is the name of a Jan. 28 article by Treasury Curve’s Aron Chazen. Treasury Curve is an independent money-market fund portal. The article appeared on the Association of Financial Professionals Web site, www.afponline.org.

Chazen begins by citing the convenience availed the retail investor by such Web sites as E*Trade and Charles Schwab. He says, “Institutional investors are now following the same path as their retail counterparts, but the numbers are even bigger.” Chazen continues, “The very recent trend of institutional investors spreading out their cash to multiple providers has not gone unnoticed.” To support his contention, he quotes from the recent ACT/J.P. Morgan Global Cash Management Survey 2008 which “revealed, for the first time, a gradual trend towards a greater number of banking relationships with the majority either increasing their relationships or keeping them the same. This is likely to be as a result of a number of high profile bank collapses which, in turn, has prompted cash managers to spread their net wider to diversify risk.”

Traditionally, banks stepped up to offer their proprietary products to corporate cash managers. Today, “Large corporations and state and local governments also are looking for independent, objective perspectives on their asset management decisions.” He quotes one corporate as saying,

“We doubt that any one asset manager would advise us to redeem all of our investments with them if they felt their proprietary product was at risk.”

Another trend cited by Chazen is the “the growth in assets from non-bank providers that it has on its platform simply because clients now give more consideration to good asset managers---regardless if they have existing relationships with them or not. They do this because they trust their abilities as money managers and they are not blinded by the perception that only banks can be good at managing money.”

“In the past, corporate would typically create a short list of funds offered by the banks where they have existing relationships. They would then simply compare the performance of one bank fund versus another. In today’s market, more than ever, corporate clients are focused on preserving their principal and diversifying more than they are focused on honoring the existing relationship they have with their banks by investing in the funds offered by the banks.”

Cachematrix, another portal platform provider, also recently alluded to this trend. Recently Cachematrix announced that its trade volume had crossed the \$3 trillion threshold. Beneath the headline it stated, “Higher trade flows are indicative of banks increased focus on technology.” Cachematrix provides eight banks with their portal technology. Referencing the large institutional trading volume, the news release said, “These levels of growth are indicative of the increased emphasis banks are placing on using technology in their daily operations. This innovative, Web-based technology allows banks to automate the investment process for their corporate clients who invest in money funds and fixed income securities with the bank.”

Founder and Chief Executive Officer, George Hagerman commented, “We are in exciting times as more and more financial institutions look to restructure and modernize their investment operations. As institutions move to address these technology needs and subsequently recognize the revenue producing power money-market portals are capable of providing, we expect and look forward to continued growth.”



Omnibus Trading & Know Your Client

Tantamount to a plate shifting beneath our feet, everything about money-market funds’ modus operandi came into question after the fall of the Reserve funds in September 2008. Not the least of which was the idea of the omnibus trading methodology. Prior the crisis, this trading method was touted as an operationally effi-

Portal: Portal Name

Launch Date:		Alerts triggered by:		Typical Number of Daily Trades and/or Dollar Volume:	
Methodology:				% w/TWS	
Settlement:		Sponsored by Bank:		Role in Setting up TWS	
Transaction Wires:		Clients favor Full Disclosure:		Primary Reason not intergrated w/TWS:	
Charges Based On:		Omnibus Transparency:		Product for Small Co. TWS Compatability/Name:	
Fees & Charges paid by:		Frequency of Omnibus underlying information:		Offshore Funds:	
Reporting:		Omnibus Software:		Currencies:	
		Fund Information Provided:			
Customer Service:					
24/7 Trading:		Rule 22c-2 Apply:		White Label Products:	
Time for submission to notification of transaction:		Conveyance of Holdings:		% Trading via Portal:	
Ability to set future transactions:		Outside Analytics Provider:		Assets on Portal:	
Multiple simultaneous transactions:		Holdings Provided by Funds:		% Trading Enhanced Funds:	
Compliance enhancements since 2007:				Fund Families/ No of Funds:	
Types of Alerts:		Holdings Disclosures Uniform:			
		Other Instruments on Portal:			

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Treasury Curve's Comments

- Replying to the survey question “Can you comment on the average number of funds a client invests in during 2007 versus the average number of funds a client invests in during 2009?” Treasury Curve answered, “Clients are gravitating towards a small list of notable providers with large funds that are highly rated. Clients are mostly invested in government and treasury funds with a growing amount slowly moving back into prime funds.”
- Replying to the survey question “Does your portal utilize a web based software program or enlist an outside software provider to provide omnibus transparency? Treasury Curve said, “Since its inception it has the ability to send a daily electronic file to each of the asset managers. That includes the account registration and the transaction information.”
- Under fund information provided to users Treasury Curve added several more features: They are Fund Manager, CUSIP, ISIN, SEDOL, Ticker, 1,7,30 day yield, 360 day basis conversion, after-tax yield, 1 day yield change, yield date, Weighted Average Maturity, Fund assets under management, daily and year-to-date percent change in fund size, amount and percent of fund owned, minimum initial investment required by prospectus, fund code/type, fund category and minor category, fund currency, fund cut-off for both purchases and redemptions, S&P/Moody's/Fitch ratings, prospectus and holdings.
- Pertaining to the portal's role in conveying holdings within funds Treasury Curve provides links to the holdings report and the analytics provider and in addition said, “We encourage clients to do proper due diligence of their fund providers and encourage and support an active dialogue between the client and their asset managers.”
- When asked about a portal's role in assisting clients who may be interested in integrating with a Treasury Work Station, Treasury Curve responded, “We have found that our clients don't want us over-involved as we are just one element of their treasury operations. We provide the help they need, when they need it. The types of requests we have had from clients has not required us to charge them.”
- When asked if portal use has increased or decreased over the last three years, Treasury Curve said, “Our clients tend to use us more over time. It is all about making it easy for the client to work with you as they want to.”
- When asked about a shift away from enhanced funds since 2007, Treasury Curve said, “Yes. Clients know that excess risk is coupled with excess return. These funds are not appropriate for liquidity portfolios but may be applicable for portfolios that don't need liquidity and can handle principle loss over a given period of time in exchange for the potential for excess return over a money fund.”
- Asked about new products, Treasury Curve said, “We launched with daily transparency to our clients' asset managers. We believe that other providers will follow with that model.”
- When asked about the number of fund families available, Treasury Curve said, “We have a very robust offering of robust providers. Treasury Curve does not try to offer all products from all fund providers. We value the relationship we have with each asset manager and strive to work as partners. We do not try to come between the clients and their asset managers but rather we help to enhance their relationship.”
- Under “Additional Program Features” Treasury Curve wrote, “Investment guidelines compliance and risk-based analytics that not only include money funds but also including other investments that clients make outside of the Treasury Curve platform such as securities and separately managed accounts across currencies.”

Question # 7 - Customer Service:		
Answer Options	Response Percent	Response Count
Assigned contact	100.0%	11
Phone access	72.7%	8
<i>answered question</i>		11
<i>skipped question</i>		0

Question # 8 - 24/7 Trading Capability?		
Answer Options	Response Percent	Response Count
Yes	81.8%	9
No	18.2%	2
<i>answered question</i>		11
<i>skipped question</i>		0

Question # 9 - Time from submission to notification of a successful transaction?		
Answer Options	Response Percent	Response Count
Instantaneous	45.5%	5
5-10 minutes	45.5%	5
15-60 minutes	9.1%	1
1-3 hours	0.0%	0
4-8 hours	0.0%	0
End of day	0.0%	0
Other:		4
<i>answered question</i>		11
<i>skipped question</i>		0

Question # 10 - Ability to set a transaction to occur in the future?		
Answer Options	Response Percent	Response Count
Yes	90.9%	10
No	9.1%	1
<i>answered question</i>		11
<i>skipped question</i>		0

Question # 11 - Multiple Simultaneous Transactions:		
Answer Options	Response Percent	Response Count
Yes	100.0%	11
No	0.0%	0
<i>answered question</i>		11
<i>skipped question</i>		0

Question # 12 - Have you added any compliance-related features to your portal since 2007?		
Answer Options	Response Percent	Response Count
Yes	80.0%	8
No	20.0%	2
<i>answered question</i>		10
<i>skipped question</i>		1

Question # 13 - Alerts: Types of Alerts:		
Answer Options	Response Percent	Response Count
On-screen pop-up	100.0%	11
Automatic email	63.6%	7
<i>answered question</i>		11
<i>skipped question</i>		0