

# Money Fund Report®

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LEADING THE INDUSTRY IN MONEY FUND NEWS

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## ◆ CLIENTS SEEM UNCONCERNED ABOUT MMF CHANGES, SAY PORTAL EXECUTIVES

“We haven’t seen any out-of-the-ordinary redemptions, nor have we fielded any client concerns” following adoption by the Securities and Exchange Commission of final rule changes for money-market funds, stated Tory Hazard, president and chief operating officer of money-fund portal provider Institutional Cash Distributors LLC.

Hazard explained to *Money Fund Report*® that ICD was very involved in fighting further reforms. “We’ve been in communication with our clients for several years on this topic” and he believes that “the two-year implementation” period has something to do with the lack of response.

On top of the phase-in, the SEC rules require floating net-asset-values for prime institutional and tax-exempt institutional money-market funds. Retail and government money-market funds may retain the constant net-asset-value fund structure. The newly-minted rules also provide fund boards with the authority to impose liquidity fees and redemption gates, citing certain thresholds where they should be considered, including an allowed liquidity fee of up to 2 percent should seven-day liquidity levels drop below 30 percent of total assets but require a fee of up to 1 percent whenever weekly liquidity falls below 10 percent of total assets.

“With change comes opportunity,” noted George Hagerman, founder and chief executive officer of money-fund portal Cache-matrix. The company’s Aug. 5 release noted that it has “anticipated this outcome and understands that upcoming modifications will provide many new opportunities for the entire industry.” Hagerman described the post-reform money-market fund universe as offering an “exciting new landscape for banks and asset managers. I see this as a tremendous opportunity for banks to provide enhanced technology solutions and expanded product offerings to their corporate customers that not just meet but exceed the new demands of corporate cash management.”

Aron Chazen, money-fund portal Treasury Curve’s founder and chief executive, told *MFR* that “In our opinion, the most important thing is that the market now has more certainty.” Client reaction was akin to ICD’s. Chazen noted, “We saw no notable changes from our customer base after the news.”

Asked about the portal’s readiness to deal with floating NAVs, Chazen replied, “Treasury Curve’s money-fund portal was designed to handle a fluctuating NAV, so we are prepared.” And when it comes to alerting fund managers who may be drifting toward lower liquidity levels, Chazen drew from personal experience. “I grew up in Wyoming where people knew the importance of closing the barn door before the horses got out. Treasurers know how important this is and now they can work with Treasury Curve to ensure they only buy what their guidelines permit.”

Hazard said that when it came to the floating NAV, “the biggest piece we were fighting was the tax issues and the fact that they are going to get rid of the wash-sale rules for money funds and may allow for one-time reporting indicates to me that they are going to be pretty accommodative,” referring to guidelines provided so far by U.S. Treasury and the Internal Revenue Service.

Hazard said ICD is more than equipped to handle the changes. “ICD’s dedicated technology teams and the way we have built the portal enable us to supply the comprehensive tax information needed for their reporting and tax purposes. From that standpoint, we’re pleased with the way the rules went down and I think our clients are too.”

ICD is “in the process of developing the functionality” of making trades at variable rates through its portal. Hazard said portal

clients are currently investing in floating-NAV products over the phone. Once purchased, investments are aggregated for clients to utilize exposure analytics on their entire portfolio, including VNAV products, through the portal’s Transparency Plus® Application. “Our clients, anticipating this might happen, have dipped their toes in the water and they’ve been investing in other products like short-duration bond funds, separately-managed accounts and FDIC-insured broker certificates of deposit.” Through these investments, Hazard noted, “they have definitely increased their yields.”

Hazard doesn’t believe a fund sponsor will let a money-market fund get to the point where its board would feel the need to impose liquidity fees and/or redemption gates. “In my opinion, the fund managers are going to manage so that they keep themselves above the liquidity lines, but if certain funds go below that line, I would think the fund sponsor would get the liquidity back to where it needs to be. A fund manager being forced to put up a redemption gate or fee is going to place that fund at a competitive disadvantage among other funds. If you are a large firm and you want to stay in the money-fund business, you are not the company that is going to put up a redemption gate and (assess) fees. You can buy some assets that come due in a week and get yourself over that temporary liquidity-risk shortfall.”

Hazard echoed Hagerman’s remark about “expanded product offerings,” telling *MFR*, “The critical issue is that the need for corporations to safely ‘lay off’ cash hasn’t diminished. In fact, corporate short-term needs are bigger than ever. We expect bank deposits and MMFs to continue to dominate the corporate short-term investment landscape. However, corporate practitioners will increasingly look at additional quality investment products to complement their portfolios.”

New offerings notwithstanding, Chazen said time-tested rules still apply. They are: “Look before you leap, don’t put all your eggs in one basket, and keep it simple.”

For the next era in money-fund reporting, iMoneyNet will work with fund sponsors to begin collecting such datapoints as daily and weekly liquidity levels for each fund; net inflows and outflows; and the market value-based NAV per share rounded to four decimal places, as required by revised SEC rules.

“We already offer the most complete, detailed and timely money-fund data. The availability of this extra data will add even more value to our product line, which our clients worldwide use for competitive analysis, prospecting, risk analysis and the like,” explained Kevin Grist, iMoneyNet sales director. ♦

### MFR COMMENTARY

Net assets of 1,008 Taxable MMFs declined \$19.43 billion to \$2.349 trillion as of Sept. 2. Total Taxable Institutional fund assets fell \$17.15 billion. Taxable Retail fund assets declined by \$2.28 billion.

The iMoneyNet Money Fund Average™/All Taxable 7-Day Yield remained at 0.01 percent for the 68th straight week. The All Taxable 30-Day Yield remained at 0.01 percent for the 65th consecutive week. The Taxable WAM was unchanged from the previous week at 43 days.

Net assets of 418 Tax-Free and Municipal MMFs declined \$1.78 billion, bringing their total to \$255.25 billion as of Sept. 1.

The iMoneyNet Money Fund Average™/All Tax-Free 7-Day Yield was unchanged at 0.01 percent for the 70th consecutive week. The All Tax-Free 30-Day Yield remained at 0.01 percent for the 88th straight week. The Tax-Free WAM lengthened to 38 days from 35 days the week before.

A one-week decrease of \$21.21 billion brought total net assets of 1,426 Taxable and Tax-Free money funds to \$2.605 trillion.

# Money Fund Report

## SUMMARY OF MONEY FUND ACTIVITY

Period Ending: 9/2/14 — Taxable Funds • 9/1/14 — Tax-Free Funds

# of Money Funds	Net Assets (\$Mils)	1-Week Change		7-Day Yield (%)	30-Day Yield (%)	Compound 7-Day Yield (%)	Compound 30-Day Yield (%)	12-Month Yield (%) (7/14)	Average Maturity (Days)
<b>Taxable Money Funds</b>									
29	55,026.3	-299.0	Treasury Retail	0.00	0.00	0.00	0.00	0.00	52
29	55,325.3			0.00	0.00	0.00	0.00		51
40	17,272.6	164.7	Treas & Repo Retail	0.00	0.00	0.00	0.00	0.00	34
40	17,107.9			0.00	0.00	0.00	0.00		34
99	122,346.2	-1,452.6	Govt & Agency Retail	0.01	0.01	0.01	0.01	0.01	49
99	123,798.8			0.01	0.01	0.01	0.01		50
<b>168</b>	<b>194,645.1</b>	<b>-1,586.9</b>	<b>Government Retail</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>48</b>
168	196,232.0			0.01	0.01	0.01	0.01		48
252	486,876.2	-695.1	First Tier Retail	0.01	0.01	0.01	0.01	0.01	47
252	487,571.3			0.01	0.01	0.01	0.01		46
<b>252</b>	<b>486,876.2</b>	<b>-695.1</b>	<b>Prime Retail</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>47</b>
252	487,571.3			0.01	0.01	0.01	0.01		46
<b>420</b>	<b>681,521.3</b>	<b>-2,282.0</b>	<b>Taxable Retail</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>47</b>
420	683,803.3			0.01	0.01	0.01	0.01		47
<b>326</b>	<b>695,793.4</b>	<b>-10,826.5</b>	<b>Government Institutional</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>41</b>
326	706,619.9			0.01	0.01	0.01	0.01		41
262	972,013.6	-6,321.4	First Tier Inst	0.02	0.02	0.02	0.02	0.02	43
262	978,335.0			0.02	0.02	0.02	0.02		42
<b>262</b>	<b>972,013.6</b>	<b>-6,321.4</b>	<b>Prime Institutional</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>43</b>
262	978,335.0			0.02	0.02	0.02	0.02		42
<b>588</b>	<b>1,667,807.0</b>	<b>-17,147.9</b>	<b>Taxable Institutional</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>42</b>
588	1,684,954.9			0.02	0.02	0.02	0.02		41
<b>1008</b>	<b>2,349,328.3</b>	<b>-19,429.9</b>	<b>Taxable (All)</b>						
1008	2,368,758.2								
<b>iMoneyNet MONEY FUND AVERAGE™/Taxable (All)</b>				<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>43</b>
PriorWeek's Averages				0.01	0.01	0.01	0.01		43
<b>Tax-Free Money Funds</b>									
89	116,715.2	-717.7	Tax-Free National Retail	0.01	0.01	0.01	0.01	0.01	42
89	117,432.9			0.01	0.01	0.01	0.01		36
120	65,421.6	-623.0	Tax-Free National Inst	0.01	0.01	0.01	0.01	0.01	31
120	66,044.6			0.01	0.01	0.01	0.01		26
114	64,400.3	-335.3	Tax-Free State Retail	0.01	0.01	0.01	0.01	0.01	40
114	64,735.6			0.01	0.01	0.01	0.01		40
95	8,715.3	-108.8	Tax-Free State Inst	0.01	0.01	0.01	0.01	0.01	35
95	8,824.1			0.01	0.01	0.01	0.01		35
<b>418</b>	<b>255,252.4</b>	<b>-1,784.8</b>	<b>Tax-Free (All)</b>						
418	257,037.2								
<b>iMoneyNet MONEY FUND AVERAGE™/Tax-Free (All)</b>				<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>38</b>
PriorWeek's Averages				0.01	0.01	0.01	0.01		35
<b>1426</b>	<b>2,604,580.7</b>	<b>-21,214.7</b>	<b>Grand Total - MMFs (All)</b>						
1426	2,625,795.4								

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7- and 30-day yields represent annualized results for the periods, net of management fees and expenses. 12-month yields assume reinvestment of dividends for up to one year. Money Fund Report® Compound Averages follow the calculation method approved by the SEC:

$$\text{compound average} = \left( \left\{ 1 + \frac{7\text{-day average yield}}{(100 \times 52.142857)} \right\}^{52.142857} - 1 \right) * 100$$