

CACHEMATRIX

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Cachematrix's MbOX Arrives in a Timely Manner

DENVER, September 21, 2009 – It seems only fitting that a leading provider of money-market trading portal technology should come up with a cutting-edge product whose timing could not be better, given today's climate of regulatory reform.

“We always thought there was a need for this type of tool,” Cachematrix's Managing Director Pete Young told MMI, refer-ring to MbOX.

Cachematrix, in a paper titled “MbOX and Knowing Your Customer,” states that it has “invested significant resources into MbOX Transaction and MbOX Portfolio Holdings, a revolutionary Web-based trading, portfolio management, and portfolio holdings transparency tool. MbOX provides real-time transparency into all money-market fund activity coming through a fund's transfer agent, third-party money-market portals and all Cachematrix-powered money-market trading portals.”

In its report, Cachematrix addresses the three types of risk which are of concern to those in the money-fund industry: con-centration risk, active-trading risk and transparency risk. With regard to concentration risk, MbOX allows users to track underlying balances in omnibus accounts. It also has the ability to track trades by large shareholders.

With omnibus accounts there is generally only one transac-tion with a fund, representing many unidentified shareholders. This anonymity has raised concerns. Why not simply go with the full disclosure method where all the clients are identified? Young replied to the question, saying it would not be a workable solution because of what he described as the “huge operational efficiencies which the omnibus method provides to the fund families.”

“It's beneficial for the portals to be able to call in one trade to the funds rather than multiple trade orders as they come through. From the corporation's perspective, the omnibus account benefits them because the portals can offer them access to multiple fund families with just one application.” He said the majority of the benefit is for the funds. It saves them from having to produce separate statements, account setups, potentially hundreds of daily trade orders, and hundreds of incoming and outgoing daily wires, etc.

Young was asked if there are any aspects of the process which remain opaque once MbOX is up and running. “There are omnibus accounts that are not coming through a portal. For us to capture that information, it would require a separate integration with the transfer agent. MbOX is capable of doing that, but it would be a separate integration.” It is also incumbent on a corporation to disclose its name to the funds. If it chooses not to, the balances, trades, etc. would still be

available for MbOX viewing, but the name of that particular corporation would not be available, said Young.

Posed with the idea that one day fund families may not have a choice in the matter, Young replied, “I think eventually it may go in that direction. This is an efficient way for all omnibus relationships to disclose the accounts and their underlying activity to the fund companies without having to go with the inefficiencies of the direct relationship.”

MbOX’s optimum performance provides what Young describes as “the best of both worlds. You get the operational efficiency of the omnibus account with the transparency of full disclosure.”

Having access to what Young previously referred to as a “tool” should improve the flow of information between client and fund manager with the intent to “diminish the unpredictability of redemptions.”

“Knowing who’s out there is going to allow you to either work together with the client or with the portal to put some restrictions, if needed, on that particular client or at least to give you more of a heads-up if they decide to make a move.”

Portfolio managers will find the product’s settlement report particularly helpful, said Young. “It keeps a real-time running total of the net flows for every portal that comes through it. For example, a manager may see XYZ portal is positive \$750 million. This other portal may be up \$500 million, so the manager knows they are looking at an intraday net position of plus-\$1.25 billion.”

Asked to comment on the idea that MbOX could be a source for holdings information to include in a prospectus, Young said, “It’s possible the SEC may require the funds to have this complete transparency, but whether they make it a requirement or not, MbOX is ready to deliver.”

Young continued, “We all come from the money-market fund side, we know the need, the want, to see who the underlying client is and to know who is holding what. It wasn’t these new regulations coming down that prompted us to build this product.”

MbOX cost structure will be on a monthly subscription basis. “I suppose I’m biased,” says Young, “but it seems like it makes a ton of sense for everybody.”

CEO George Hagerman will be a guest speaker at Money Fund Forum. The session “Determining The Short-Term and Medium-Term Impact of the Money Fund Portals,” begins at 1:30 p.m., on the first day of the conference, October 19th.

About Cachematrix Holdings, LLC

Cachematrix is a Software as a Service (SaaS) firm that provides custom electronic trading solutions for many of the world’s largest financial institutions. Through combined expertise in software development, system integration, and asset management, Cachematrix delivers a total technology solution. For more information visit, <http://www.cachematrix.com>.

