

Building Trust

*How Banks are Attracting and Retaining
Business Clients With Institutional Money
Fund Portals*

*By George Hagerman,
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ompetitive pressures are driving innovation throughout the banking industry. From strategic partnerships to powerful new technologies and novel service initiatives, banks are breaking new ground in an all-out effort to capture, serve and retain clients.

Competition is especially fierce in the area of institutional money market funds – a market that has exploded in recent years. Over the past five years, CFOs have been stashing cash at a record rate and billions in repatriated assets have entered company coffers through the American Jobs Creation Act of 2004. These factors, coupled with strong earnings and restrained capital spending, have left corporate balance sheets in great shape.

And with uncertainty in the markets and caution among CFOs, money fund balances are likely to stay high and cash will continue to be king in Corporate America. According to iMoneyNet, a provider of information on money market mutual funds, institutional money market funds account for as much as 25 percent of the \$5 trillion in business short-term assets.

Banks are competing among themselves and with mutual fund companies for this massive piece of the institutional money fund marketplace. The contest is especially fierce for banks with proprietary institutional money funds that are competing against a growing array of institutional fund offerings.

Deepen Corporate Banking Relationships

A key conduit to capturing these assets is the corporate treasurer. According to a July 2005 article in *Bank Technology News*, treasurers are a vital link for bank corporate business because their needs can span a wide range of banking products. Keeping them happy often hinges on saving them time. One way to keep treasurers happy, noted the *BTN* article, is making daily money management duties as easy as possible. By doing so, banks can deepen corporate banking relationships. Technology becomes a key factor in a mutual solution, especially as banks compete to win and retain clients.

“Banks are doing this by installing web-based platforms that aggregate money market funds through Internet portals. Corporate treasurers, most of whom trade money market funds daily to optimize short-term returns on their cash holdings, can use the sites instead of trading separately or directly with each of the funds,” said *BTN*.

The strategy has worked. A growing number of corporate treasurers are turning to institutional money market fund portals to invest their cash in money funds. Like the mutual fund supermarkets that revolutionized the equity fund industry in the mid-80s, the advent of money market portals provides CFOs with a choice of competitive funds and a convenient, single-source platform for managing them. By having access to competing money market funds, company treasury officers have a choice of top performing funds.

While exact numbers of customers using money fund portals is not available, their ranks are growing. According to a recent article in *CFO.com*, portals provide treasurers with access to a range of online trading tools, as well as “access to current portfolio holdings performance, prospectuses, wire information, fund applications, and more without leaving the centralized Web site. Further, portals provide a neat paper trail for managers who are required to comply with the internal-controls documentation provisions of Section 404 of the Sarbanes-Oxley Act.”

“*The portal helps me research, trade and monitor my money fund accounts with effectiveness and ease. It puts the whole nine yards at my fingertips, and that makes our treasury operations much more effective and efficient.*”

Bob DiAntonio
Investment Analyst
Arbella Insurance Group

Deliver What Treasurers are Seeking

Here are six reasons why corporate treasurers are integrating a money fund portal into treasury operations:

- ◆ Time Savings/Speed of Execution
- ◆ One-Stop Shop
- ◆ Simplification/vendor consolidation
- ◆ Cost Savings
- ◆ Investment Transparency
- ◆ Sarbanes Oxley Compliance.

Time Savings/Speed of Execution

The old chestnut, “time is money” describes succinctly one of the main reasons treasury officers are plugging into portals. For Stella Musso, a treasury officer at LSI Logic, the time savings benefits were obvious. The prospect of cutting trading time by more than 90 percent and eliminating the blizzard of phone calls, faxes and paperwork she had to process on a daily basis drew her to the web portal.

LSI, a leading semiconductor designer in Milpitas, Calif., has strict investment criteria and diversification rules that require Musso to research, monitor and trade a number of different money funds each day. Before using the portal technology, she would typically spend more than an hour every morning processing paper – faxing a plethora of purchase and redemption orders to separate fund companies, and placing wire transactions to fund new purchases. Additional time was spent doing the research and monitoring of her accounts.

With the portal, she now logs on, checks her money fund investments, compares yields on other funds, and selects funds that meet her investment criteria. All told, she completes her daily investments in about five minutes. “It’s a click of a button for us, and that saves me time,” said Musso. “That way, I can focus more time and energy on other responsibilities.”

One-Stop Shop

For Bob DiAntonio, Investment Analyst for Arbella Insurance Group, an insurance provider in the New England region, using a money fund portal is akin to shopping at a supermarket. Portal technology puts everything – research, trading and monitoring of funds – under one roof.

With a single platform, one log-on and access to all of the tools and information he needs to manage his money fund holdings, DiAntonio likes the combination of having access to a range of quality investments with the convenience of making those investments from a single, centralized source.

“The portal helps me research, trade and monitor my money fund accounts with effectiveness and ease,” said DiAntonio. “It puts the whole nine yards at my fingertips, and that makes our treasury operations much more effective and efficient.”

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” Stella Musso
Treasury Officer
LSI Logic, Inc.

Simplification/vendor consolidation

Portals offer another benefit, says DiAntonio. The system, which uses an omnibus model for clearing and settling trades, DiAntonio fills out a single application that provides him with access to all 35 funds on the MoneyMarket Trader platform. “Before, if we wanted to add a fund to our portfolio, we would have to contact the fund company and then run it through our legal and finance for due diligence,” he said. With the single application, “we can put our money to work more quickly.”

Cost Savings

Treasury officers can reap cost benefits in three ways. By consolidating all trading activity into a single wire transfer, users of portals eliminate the daily barrage of multiple wires, thereby saving the \$10-\$20 charge per wire. The time savings aspect of portals also translates into administrative cost savings. By reducing the time spent on faxing, wiring and phoning associated with processing trades, corporate treasurers now have extra time to concentrate on more strategic matters and higher-value work. Finally, portal users can positively impact the lost opportunity associated with being in a low-yielding fund.

Investment Transparency

Portals also provide direct and transparent access to a variety of fund information, which treasurers say helps them identify the right investments at the right time, enabling them to optimize money fund investments. The comprehensive and consolidated institutional money market fund research data provided on many portals allows treasurers to isolate key industry data and streamline analysis of leading institutional money market funds at a glance.

For example, portal research tools allow treasury managers to customize data based on investment need and reliable, independent assessments from the industry’s most respected rating agencies. They can also be used to monitor assets under management and average weighted maturity of funds on watch lists; compare expense ratios of specific institutional money funds; and filter for key investment criteria.

This customized research capability appealed to Arbella’s DiAntonio. Since Arbella is an insurance group, DiAntonio can only invest in funds that have been approved by the National Association of Insurance Commissioners. “I can filter funds so that I can compare NAIC-approved funds only,” he said. “The site gives you the right information to help do the due diligence necessary.”

Added Musso: “Having all of the information online and in one place makes it easier to do the research we need to do to make effective investing decisions. It’s much more of an apples to apples comparison.”

“*The CacheMatrix private label solution is a straight-forward, cost-effective way to give your bank the competitive advantage to attract new corporate clients and retain the ones you already have.*”

*George Hagerman
Founder and CEO
CacheMatrix*

Sarbanes Oxley Compliance

With its strict controls over financial reporting, Section 404 of Sarbanes Oxley (SOX) raises the bar on treasury operations, according to Robert T. Mayer, Director of Treasury Risk Management at Protiviti, Inc., a leading international provider of independent internal audit and business and technology risk consulting services.

“In our analysis, we see numerous issues faced by firms seeking to comply with Sarbanes – from outdated or limited policies and procedures, to a lack of acceptable controls and risk identification, to heavy use and reliance on manual data and spreadsheets,” said Mayer. “All of this supports the need to strengthen controls, enhance processes and manage costs.”

Portals can help companies meet several SOX requirements for the treasury risk function. With limited access and a single password, portals provide a centralized, secure process for treasury functions. Because it is highly automated, a portal can also help maintain formal and current treasury policies, procedures and authorization matrixes and enhance process effectiveness and control. And portals provide a clean paper trail.

“We have been able to streamline reporting down to one statement for all of the transactions we make in all of the funds we buy and sell,” said Musso. “It’s a great audit trail for us. Our internal auditors have had no issues and that’s always a good sign.”

The CacheMatrix Solution

As your bank looks to build your business by strengthening relationships with corporate treasurers, our money market trading technology provides you with the right solution. CacheMatrix’s portal is a turnkey technology that enables corporate treasury clients to research, trade and monitor their money market accounts through a single source—your bank. This saves your corporate clients time and money, giving them the opportunity to concentrate on more strategic banking initiatives, as well as to diversify their access to funds.

You get what you need – a more effective tool to retain clients and generate new streams of revenue from the competition, built by a team of professionals with decades of experience on institutional money fund trading desks. Additionally, notes *Bank Technology News*, these same corporate treasurers will likely seek advice and services on more complex investment decisions from the institution providing the portal.

We invite you to put the industry’s leading portal technology to the test. Call us at **877-564-0225**, or email us at **info@cachematrix.com** for more information

About George Hagerman

George Hagerman is Founder and CEO of CacheMatrix Holdings, LLC, a leading provider of institutional money fund portal technology to banks and mutual fund companies. George has had a distinguished 19-year career in the institutional money funds business. Prior to founding CacheMatrix, George led money fund sales, marketing and distribution efforts for The Boston Company, Fidelity Investments, Lehman Brothers, and CS First Boston. In 1994, he developed the distribution platform for the Janus institutional money market funds, creating a suite of institutional money market funds from inception that grew to more than \$19 billion in assets.

About CacheMatrix

CacheMatrix provides a turnkey portal technology enabling banks and other financial services firms to offer its corporate treasury clients access to one-stop, online trading and monitoring of a marketplace of top institutional money funds. For more information, visit www.cachematrix.com.

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