

Dispelling Common Online Investing Myths

A Clear View of Online Treasury Portals

Kirk Black, CTP, CPA, NASD-licensed representative

Mellon Liquidity Management Service senior Product manager

Since the initial design and launch of Mellon's Liquidity Management Service (LMS)* on iTelecash,[®] (our Web-based information reporting and transaction initiation service) two years ago, we have learned a great deal about how online investing may benefit the corporate investor.

In our evaluation of available online investment tools, and through discussions with hundreds of corporate treasury departments, some common myths surrounding online investing have emerged. To share our insights on how these electronic tools are transforming opportunities for the corporate investor, and to assist in your evaluation of online treasury portals, we've compiled a short list of these myths below — along with some background information to help clarify the issues.

Myth: If I invest through a portal, my relationship provider will not know I'm doing business with them.

Reality: Advanced portals provide the customer the option of transparency to the fund provider.

While some corporations prefer to remain anonymous to mutual fund companies with whom they invest, others want their investment positions to remain apparent to the fund provider. This is especially important if the fund provider also represents a bank relationship with the investor, as corporate investors sometimes strive to support the banks that extend credit and other services to their respective entities. But many corporations believe they will lose that transparency with the fund provider — and thus that all-important relationship — if they use a portal versus directly contacting the fund provider.

While it is true that some investment portals in the marketplace make it difficult to maintain relationships with fund providers, select portals will facilitate this relationship by making a company's investment transparent to the provider.

The best portals will give the customers a choice of either transparency or anonymity to the fund providers. The goal for the portal user — and one that is entirely possible by selecting the right provider — is to maintain the benefits of process consolidation and the possibility of higher returns associated with the portal, while maintaining fund relationships consistent with how they worked in the past.

Myth: Portals will not provide an investment professional's expert consultation, removing the important human element from the investment equation.

Reality: Better portals provide off-line investment advice and consultation to their clients. The best ones assign a specific account representative to serve the customer.

Most companies value the investment consultation that their brokers and fund providers offer. Investment professionals commonly work with customers on designing or revising investment policies, making specific investment recommendations and providing market commentary.

It is true that some portals in the market today lose the human element — providing only a help-line connection and possibly a registered representative or two to answer any questions. But with a little research, investors will discover a few portals with a different business model. These portals are backed by a specifically assigned, registered account representative that works with the customer frequently off-line for any investment related assistance they may need. We believe this combination of technology and people is very powerful for a short-term investment function, as has been the case with Mellon's LMS.

Myth: I won't receive the best institutional rates on my investments. There must be fees involved for use of the portal.

Reality: While some portals do shave basis points from the institutional yield and/or charge service fees, the better ones do not and may even help increase your investment returns.

Some investors assume there are fees attached to portal use and that they will not receive the same yields as with a traditional manual investment process. While it is true that some portals assess fees or reduce basis points, others in the market simply do not do this.

With these no-fee portals, investors will receive the same institutional class yields available by contacting a money fund provider directly.

In addition to not charging fees, a portal may actually help increase yields to the investor by virtue of the vast selection of money funds and other offerings they may make available. Investors typically see more investment choices via a portal and therefore increase their chances of finding higher-yielding investments.

The portal can be a win-win-win between the customer, the money fund provider and the portal provider. The customer wins by using technology that makes their investment process better without having to pay incremental fees. The fund provider wins because they have an additional distribution channel and access to a potential pool of new customers previously unavailable to them. And the portal provider wins by providing its technology and distribution channel to investors and fund providers, respectively, while sharing revenue with the fund providers.

Mellon's Treasury Portal

With approximately 100 customers investing more than \$11 billion through the Mellon LMS portal, we are helping our customers meet — and exceed — their short-term investment goals. And for the past two years in a row, respondents to an independent survey of Mellon's treasury products** gave Mellon LMS a **100 percent satisfaction** rating among users.

With the service, customers may choose to remain transparent as they execute investment transactions through Mellon Financial Markets, LLC (MFM) — Mellon's full-service broker-dealer — via the iTelecash platform. Today you may purchase and redeem approximately 100 different money market mutual funds across 25 reputable families with the service, with several more fund families currently planned for the offering.

In addition to money funds, MFM also offers auction rate securities and commercial paper on the same consolidated platform. Users may customize their investment inventory on our portal so they are only purchasing the investments their corporate investment policy allows.

One of the most unique characteristics of the Mellon LMS service is that it operates directly from the broker-dealer desk of Mellon Financial Markets. A licensed account representative is assigned to work with the customer on any investment-related matters, such as recommending specific investments, establishing or revising the corporate investment policy, and general market information. The representative will also review all transactions a customer orders through the system prior to execution, providing the customer with an additional layer of review and control over their investment process.

For more information on how Mellon LMS may expand your organization's short-term investment possibilities, call 1 800 424-3004 or e-mail us at gcm_direct_pgh@mellon.com.

**Offered through Mellon Financial Markets (MFM), LLC, a member of the NASD and SIPC. Investments offered through MFM are not FDIC-insured, not bank-guaranteed and may lose value.*

***2004 and 2005 Customer Satisfaction Survey results*