

Managing Short-term Liquidity within Long-range Institutional Goals

Another Hot Topic in Working Capital Management

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Institutions have seen cash levels skyrocket to historical highs over the past decade. Consider that, in 1999, organizations held an estimated 3.5 trillion in cash and equivalents, which grew to nearly 5.5 trillion by the end of 2006.*

And industry experts expect this trend to continue as larger cash reserves continue to be held for reasons that include heightened balance sheet conservatism in the wake of Sarbanes-Oxley (SOX) legislation, as well as a lack of sufficient opportunities in many industries to immediately deploy cash.

As a result, many organizations are taking a harder look at how they invest their cash surplus as a part of their overall working capital management strategy. And, investors are continually turning to online portals like BNY Mellon Liquidity Management Service (LMS)** to maximize returns, save time and enhance reporting and compliance.

Enhanced Cash Funds

Investors also are beginning to demand more than the selection of 2a-7 money market mutual funds that investment portals have traditionally offered. Enhanced cash funds are a recent addition to the BNY Mellon LMS service and are rapidly gaining popularity among investors.

Like 2a-7 money funds, enhanced cash funds are designed for treasury investors and managed to a stable NAV (Net Asset Value). These funds are not registered with the SEC, however, and operate outside of the parameters of SEC Rule 2a-7, which allows them to extend durations and buy instruments in concentrations and by type that are not permissible under 2a-7 guidelines. The investor is sometimes rewarded with 5-10 bps over traditional money fund yields, and possibly more depending on the shape of the yield curve at a respective point in time.

Enhanced cash funds are intended for short-term core cash versus overnight liquidity, as there can be no assurance they will maintain a stable NAV and the providers may impose restrictions on liquidity.

In addition to enhanced cash and 2a-7 funds, BNY Mellon LMS offers a full selection of securities, allowing investors access to a complete market of short-term investments at their desktops. Hundreds of commercial paper and auction-rate securities also are available on BNY Mellon LMS. For organizations using or considering a combination of funds and securities to optimize short-term portfolios, having everything available on one consolidated portal service provides ultimate convenience and efficiency.

U.S.-based multinational organizations, as well as institutions headquartered elsewhere, commonly need USD offshore funds or funds denominated in other currencies such as Euro, Sterling or CAD. BNY Mellon LMS delivers a full range of offshore capabilities as well, and works effectively from an international perspective with either a centralized or decentralized treasury structure.

For more information on BNY Mellon LMS, contact our working capital management professionals at 1 800 424-3004 or e-mail us at treasury@bnymellon.com.

*Treasury Strategies 2006 Liquidity Study

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