

Money Market Fund Portals - One Application, One Wire, One Statement

Ed Baldry, [Institutional Cash Distributors \(ICD\)](#) - 25 Oct 2005

European money market funds are maturing to the extent that funds are larger and critical mass is being reached. Fund portals are emerging to make access to these vital treasury liquidity tools even easier and this article looks at ICD, a recent entrant into the European portal space.

Money fund "portals" or supermarkets which offer a number of different money fund offerings in one convenient location, have been successful so far in the US due to their simplicity, convenience and ability to accommodate very large cash flows. However the concept is still relatively new to the European marketplace. The aim of money fund portals is to have one application, one wire and one statement of account regardless of how many funds you use.

One of the first entrants to this space in Europe is Institutional Cash Distributors (ICD), a division of ODL Securities Ltd., who this summer launched a London subsidiary to offer offshore money funds to corporations and financial institutions domiciled in Europe. In the UK, ICD clears through Bear Stearns and is aiming to do multiple billions in Euro, Sterling and US Dollars of business within its first year. ICD was one of the first independent, fully disclosed platforms, and has been operating out of the US for over two years with multiple billions assets under management, and some 150 active accounts.

According to Ed Baldry, one of the founding members of ICD, the aim to target the UK and European markets from a base in London is thanks to a new maturing in the European money fund market. According to Baldry the market is reaching critical mass for fund sizes - allowing treasurers to conduct more meaningful trades.

"The US money fund business has been flat to down every year for the last three years for assets under management. But the offshore market - including Euro and Sterling - has been growing at 300-400 per cent a year for the last three years. There is a tremendous upswing in growth," he explains. Baldry says 'assets beget more assets' because if the funds are large enough the corporate treasurer can now put a meaningful trade into one of the funds. "If there are 100 funds out there and they are all at 100m that still means that the biggest trade a treasurer can do per fund is 5m. But there are now several funds out there that are multiple billions in size - this means that the scale has become viable." He adds: "It's now a for-real trade for someone in a treasury operation. They can now outsource a meaningful amount of cash. In the past they would have needed 50 of these little funds - because no corporation typically wants to be more than 5 per cent of a fund, and typically the fund companies don't want a shareholder to be any more than 5 per cent of the fund either."

Broadening Appeal

The types of consumers being attracted to money market funds is also broadening to include smaller sized corporations. While the giants of the corporate world have been utilising money market funds for years, there is now more selection and viability. According to Baldry: "there are more and more people in Europe who are becoming aware of what these products can do and how they can fit into their treasury model and their day-to-day business."

The goal of the money funds is to provide a rate that's comparable to a 30-60 day investment, but still give the treasurer same-day liquidity.

Baldry agrees that using money market funds is a newer concept in Europe and that not all treasurers are on board with it at the moment - but says they are gaining in popularity because the products themselves (regardless of whether you access them through a portal or not) are traditionally perfect for a treasurer, which is why they have grown to be a \$2 trillion business in the US. "The institutional investors are the lion's share of the overall money fund business in the US. Money funds have diversity, safety and liquidity are ideal for the corporate treasurer, and now that the yields and trading times are improving, it makes an even stronger case for treasurers to use these funds," he says.

Portals

But the money market fund supermarket - the portals themselves - are still a relatively new idea in Europe. The **'power of one' - one application, one wire, one statement** - was a new idea in the US a couple of years ago, but now a lot of people are doing it. The aim of the portals is of course to create an operational efficient environment for the consumer to buy money market funds - saving the consumer time (because they don't have to do multiple transactions) and money (because they don't have to do multiple wires) and hassle (because they don't have to deal with multiple reporting issues). Using a portal can for example help with your Sarbanes-Oxley auditing compliance because you don't have to chase 10 different firms to get your data.

Baldry says investors are attracted to independent portals that do not have their own funds to push - and he says it helps ICD to attract fund companies that aren't participating on other portals. He adds "There are several other competitors that are getting into the portal space - Bank of New York and Goldman Sachs and State Street. Virtually all of those are viewed as custodial platforms," he says. Baldry explains that the ICD business is more of an independent broker-introduced model. "We clear through a broker-dealer and you can choose any fund you want to use - so you don't have to be a custodial client in order to use our platform."

Baldry believes that ICD's full disclosure brings another advantage to the fund companies because they disclose who the shareholder is to the fund companies. That means that the consumer can be recognised by their credit bank as awarding them business and the fund company has the opportunity to show appreciation for the investment - so the fund company and the buyer both get to know who the other is. Some of the other portal platforms operate under an umbrella scheme where they buy on your behalf without disclosing who the underlying shareholder is.

Fee Rebates

Rebating fees is a widely accepted business practice in Europe, which is not acceptable in the US - so poses a problem for some portals. However ICD has agreed to accommodate these rebates, says Baldry. "If a company already has a rebate in place with a large customer, we'll accommodate that rebate and do it for a reduced fee. We're going to do it begrudgingly, but for the right deal we'll accommodate the client."

The company has also established a 'direct model' to accommodate the rebate client - it involves ICD introducing clients to fund companies and then they deal with each other directly. "We have approximately 20 different fund companies that are on board for ICD Direct - with even more available on the platform." He expects the ICD Direct model to be about 25 per cent of the business that ICD does in Europe's money markets.

Conclusion

Money market fund portals are set to take off in Europe as the market reaches maturity and the appeal is broadened to include a wider range of investor. According to Baldry: "Feedback from the corporate treasurers in the UK and Europe has been very positive. If you are a corporate treasurer these products can be useful to you - no matter where you are located."

Institutional Cash Distributors (ICD)

The company is a distributor of money funds, and has over 40 funds available for investments. It is a division of Merriman Curhan Ford & Co. member NASD/SIPC. The company is based in the US but also has an office in London as a division of ODL Securities Ltd., authorized and regulated by the Financial Services Authority.

For more information and the latest fund rates in Europe, please contact Ms Annette Scholl-Makowka on ascholl@odls.com or call

Tel. +44 (0)207 – 903 6172

Free UK trade desk no. 800 – 0684 – 423.

For more information and the latest fund rates in the U.S, please contact ICD at info@icdfunds.com or call 800 – 611 – 4423.