

# NAST Cash Management Conference

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# Agenda

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- ◆ Government Liquidity Programs Update
  - ABCP Money Market Mutual Fund Liquidity Facility (AMLF)
  - Commercial Paper Funding Facility (CPFF)
  - Money Market Investor Funding Facility (MMIFF)
  - US Treasury Temporary Guarantee Program for Money Market Mutual Funds
  - Temporary Liquidity Guarantee Program (TLGP)
- ◆ Federal Reserve Direct Purchase Programs

# AMLF: Asset-Backed Commercial Paper MM Liquidity Facility

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- ◆ The purpose of the AMLF is to restore liquidity to the ABCP market by providing investors with the option to sell ABCP through eligible borrowers to the Federal Reserve Bank of Boston
- ◆ AMLF securities that are brought to the Fed for purchase must have a 50 bp discount rate. Not all ABCP meets that criteria as ABCP has gotten more expensive recently.
- ◆ Key terms and conditions
  - Launch Date: September 19, 2008
  - Initial Expiration Date: No new credit extensions will be made after October 30, 2009
  - Maximum Size: \$700 billion
  - Eligible borrowers include all US Depository institutions, bank holding companies (parent companies or US Broker Dealer affiliates), or US branches and agencies of foreign banks
  - Eligible Investors are limited to Money Market Mutual Funds, organized under the Investment Company Act of 1940, as amended, and managed pursuant to Rule 2a-7
  - Eligible ABCP - Only U.S. dollar denominated issues from a U.S. issuer, and rated First-Tier Securities under Rule 2a-7 are eligible. Specifically, ABCP rated not lower than A1, F1, or P1, **which would exclude any ABCP that is rated A1, F1, or P1 "negative watch" by any Nationally Recognized Statistical Rating Organizations (NRSRO) as defined by the Securities and Exchange Commission.** The ABCP must be issued by an entity organized under the laws of the United States, or a political subdivision thereof, under a program that was in existence and actively issuing eligible ABCP directly to market investors on September 18, 2008.
  - Pricing of the asset would be at the money market fund's amortized cost

Source: Federal Reserve

# CPFF: Commercial Paper Funding Facility

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- ◆ The purpose is to enhance the liquidity of the US Commercial Paper market by increasing the availability of term funding to issuers and also provide greater assurance that maturing CP will be rolled;
- ◆ Key terms and conditions
  - Launch Date: October 27, 2008
  - Expiration Date: October 30, 2009
  - Maximum Size: \$1.3 trillion
  - Established by the Federal Reserve Bank of NY (FRBNY) to provide a special purpose vehicle that will serve as a liquidity backstop to facilitate the issuance of term CP by eligible issuers
  - Eligible Securities include 3-month US Commercial Paper and ABCP purchased through the FRBNY's primary dealers issued by US-based issuers (including those with a foreign parent) rated at least A-1/P-1/F-1 by a major NRSRO. If the issue is rated by multiple NRSRO's, it must be first tier by at least two
  - No public disclosure of participants
  - Issuers are limited to participating in the facility 3 times

Source: Bloomberg

# MMIFF: Money Market Investor Funding Facility

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- ◆ The purpose of the MMIFF is to restore liquidity to the US Money Markets by providing a series of SPV's to facilitate a private sector effort to finance the purchase of eligible assets from eligible investors.
- ◆ Key terms and conditions:
  - Launch Date: October 27, 2008
  - Expiration Date: October 30, 2009
  - Maximum Size: \$600b for SPVs, \$540b for the NNIFF
  - Eligible Assets include CD's, bank notes and CP issued by financial institutions which must be rated A-1/P-1/F-1 from two or more NRSRO's with a maturity of 90 days or less
  - Eligible Investors are exclusively SEC Registered 2a-7 Money Market Mutual Funds
  - MMIFF is inactive because the yield on the securities currently in the market does not meet the Fed requirements and sellers to the program would have difficulty with the residual interest
  - SPV Funding
    - Occurs when a seller of an eligible asset buys ABCP from the SPV equal to 10% of the asset's purchase price and match funded to the term of the asset sold
    - The FRBNY will lend to each SPV 90% of the purchase price of the eligible asset on a match funded basis and on a senior basis to the ABCP bought by the seller

Source: Bloomberg

# US Treasury Temporary Guarantee Program for Money Market Mutual Funds

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- ◆ The purpose of the Guarantee Program is to improve investor confidence in money market mutual funds.
- ◆ Key terms and conditions
  - Launch Date: September 19, 2008
  - Expiration Date: September 18, 2009
  - Maximum Size: \$3.5 trillion
  - Covers money market fund shareholders for amounts held in participating funds as of close of business September 19, 2008
  - Amounts added above the shareholder's "high water" mark on September 19th are not covered
  - Premium – Generally 1.5bp charged quarterly
  - **If the guarantee is drawn upon the fund must be liquidated**

Source: Bloomberg, UBS Global Asset Management

# TLGP: Temporary Liquidity Guarantee Program

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- ◆ The purpose of the TLGP is to increase and strengthen confidence and promote liquidity in the banking system by providing a 100% FDIC guarantee for newly issued senior unsecured debt and non-interest bearing deposit accounts.
- ◆ Key Terms and Conditions
  - Launch Date: October 14, 2008
  - Initial Expiration Date: June 30, 2012 for debt and December 31, 2009 for deposits
  - Maximum Size: 125% of debt that was outstanding as of Sept 30, 2008 scheduled to mature on or before June 30, 2009
  - Eligible Institutions – FDIC-insured depository institutions, US bank holding companies, US financial holding companies and US savings and loan companies.
  - Eligible Products – Newly issued senior unsecured debt issues by Eligible Institutions on or before June 30, 2009, commercial paper and unsecured portion of secured debt. Coverage would be provided for 3 years beyond that date. Funds in non-interest bearing deposits accounts held at FDIC-member banks are insured until December 31, 2009.
  - Premium – 75 basis points annualized. 10 basis points on non-interest bearing deposit accounts over the \$250,000 FDIC limit

Source: Bloomberg, UBS Global Asset Management

# Federal Reserve Direct Purchase Programs

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- ◆ On November 25, 2008, the Fed announced that, to support market functioning, the Open Market Trading Desk would begin purchasing federal agency discount notes in the secondary market for the System Open Market Account
- ◆ These instruments are short-term debt obligations issued by Fannie Mae, Freddie Mac, and the Federal Home Loan Banks
- ◆ Similar to secondary-market purchases of Treasury securities, purchases of the aforementioned short-term debt obligations are conducted with the Fed's primary dealers through a series of competitive auctions

Source: Federal Reserve: Monetary Policy Report to the Congress, February 24, 2009



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# Biography

# G. Thomas Cameron

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## Short Term Strategies Sales Executive Director

Years of investment industry experience: 20

Education: Franklin Pierce College (US), BS

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- ◆ Tom Cameron is the director of US Short Duration Distribution for UBS Global Asset Management (US). Tom's primary responsibilities include the sales and marketing for UBS Global AM's investment-grade short-term products including institutional money market funds and short duration separate accounts.
- ◆ Tom joined UBS Global AM in January 2001 after participating in the launch of a Web-based startup company providing fixed income trading to institutional investors. Tom also has over 10 years of institutional fixed income experience with Fidelity Investments and the Connecticut Health and Educational Facilities Authority.
- ◆ Tom is a NASD Registered Representative holding Series 7, 24, and 63 registrations.

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