THE NEW CASH MANAGEMENT REALITY
A Discussion on Short Term/Operating Cash Balances

Brandon Semilof
Managing Director
StoneCastle Cash Management
1. About StoneCastle
2. The Current State of the Cash Management Landscape
3. What Treasurers Are Seeking Today
4. Cash Management Beyond the Big Three
5. Next Steps: Your Investment Policy
ABOUT STONECASTLE

StoneCastle leverages its deep banking experience and extensive regulatory relationships to provide investment services to institutions and community banks. Our investment strategies and products make us one of the largest investors in U.S. community banks and a proven resource for institutional investors.

STONECASTLE SNAPSHOT

Current Initiatives

• Deliver highly efficient cash management solutions to leading treasury professionals
• Provide community banks with access to capital and funding that are often only available to larger competitors
• Create tailored, innovative investment strategies focused on community banks for institutional investors

AUM

• $11.17 billion in total assets
• $9.48 billion in managed cash; $1.69 billion in fixed income, preferred and equity investments
• Over 600 banks participate in StoneCastle’s funding network
• On October 15, 2015 StoneCastle facilitated $250 million in financing to 35 community banks in 24 states

Flagship Products

• FICA: Cash management product providing FDIC insurance, next day liquidity and a competitive yield
• ICA: Provides institutions access to highly rated banks via a single, convenient account
• BIDS: Adviser to third party administrators and non-depository custodians
• StoneCastle Financial Corp.: Publicly listed company investing in community banks (Nasdaq: BANX)
## WHAT WE DO

### ASSET MANAGEMENT
- **Federally Insured Cash Account (FICA)**
  - FDIC-insured cash management solution for institutional investors
- **Institutional Cash Account (ICA)**
  - Grants access to a pool of money fund eligible, A1/P1 banks for institutional investors
- **Bulk Insured Deposit Services (BIDS)**
  - Advisor for non-depository custodians seeking pass through FDIC insurance for client investors
- **Closed-End Investment Fund**
  - Publicly listed investment company (Nasdaq: BANX) that invests primarily in yield producing securities issued by banks
- **CDO Management**
  - Investment advisor on six securitizations, primarily collateralized by trust preferred securities issued by community banks

### BANK SOLUTIONS
- **Funding**
  - Provides banks with an efficient, reliable and way to manage their primary and contingency funding
- **Capital**
  - Direct investor in publicly traded and privately held community banks seeking capital for organic growth, acquisitions, share repurchases and other refinancing activities
- **AMMA**
  - Allocates a bank customer’s large deposits across a proprietary bank network, offering expanded FDIC-insurance on their deposits

### BROKER DEALER
- **Trading**
  - Trading of investment grade 144A private placement and physical securities
“StoneCastle Partners, LLC has emerged as one of the leading innovators in the cash management arena.”

*InvestmentNews*

“*Cash Management That Could Crush Money Markets*”

*June 2011*
CURRENT STATE OF THE CASH MANAGEMENT LANDSCAPE
MARKET ENVIRONMENT PRESENTS NEW CHALLENGES

Regulation and Central Bank Action Pose Threats

- New bank regulations are changing financing dynamics and potentially impact fixed income liquidity
- Changes may continue to impact bank balance sheet availability

- Cash investors will have to re-evaluate options in light of new MMF requirements.
- Changes throw the “default option” of cash into chaos at the same time as market disruption

- Stricter banking regulation has led to a significant decline in supply of money market instruments
- Demand for liquid assets is at record levels which is having a material impact on money market yields.
“THE NEW REALITY”

Recent Headlines

Not Enough Urgency Ahead of MMF Reform?
iTreasurer-March 11, 2016

Low yields, counterparty risks worry treasurers
Bloomberg Brief- February 26, 2016

Low yields, counterparty risks worry treasurers
Bloomberg Brief-February 26, 2016

The biggest risk to your money market fund
CNBC-February 24, 2016

The $400 Billion Money-Fund Exodus With Banks in Its Crosshairs
Bloomberg-February 23, 2016

Fed official warns on rush to 'government-only' US money funds
CNBC-February 23, 2016
BANK REGULATORY REFORM: BASEL III

The purpose of Basel III is to enforce banks to provide a mattress of short-term (LCR) and long-term (NSFR) liquidity should a run occur during market stress.

Liquidity Coverage Ratio (LCR)
- The LCR is a relatively standard liquidity risk ratio in its construct and aims to ensure that the level of High Quality Liquid Assets (HQLA) at a bank is sufficient to cover significant cash outflows over the next 30 days in the event of a stressed market environment such as an economic downturn, massive deposits run-off or the minimum roll-over of credit facilities.
- LCR also governs the 1) classification of operational and non-operational deposits and the 2) treatment of run-off prone deposits

Net Stable Funding Ratio (NSFR)
- The Net Stable Funding Ratio is designed to make sure that the amount of available stable funding at a bank commensurate with the minimum stable funding as required based on the nature and maturity of its assets and off-balance sheet activities.
- The horizon of this indicator is longer than the LCR, as it is a one year ratio.

WHAT DOES THIS MEAN FOR YOU?

Basel III’s capital ratios have made certain client deposits too expensive to hold on their balance sheet.

Basel III was designed in a way that favors local and central government debt.
BANK REGULATORY REFORM: LIQUIDITY COVERAGE RATIO

LCR: Classifying Deposits
• The final U.S. rules laid out specific qualitative and quantitative criteria U.S. banks must satisfy to meet the definition of operational

<table>
<thead>
<tr>
<th>QUALITATIVE</th>
<th>QUANTITATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Services subject to 30-day termination or significant switching costs</td>
<td>• Empirically linked to the operational services with methodology for identifying any excess amount, taking into account volatility of average balance</td>
</tr>
<tr>
<td>• Held in account designated as operational account</td>
<td>• No economic incentive for the customer to maintain excess funds through increased revenue, fee reduction or other incentives</td>
</tr>
<tr>
<td>• Primary purpose of deposit is operational</td>
<td></td>
</tr>
<tr>
<td>• Must not be provided in connection with prime brokerage or by a non-regulated fund</td>
<td></td>
</tr>
<tr>
<td>• Must not be for arrangements where a bank (correspondent) holds deposits owned by another depository institution (respondent) and respondent temporarily places excess funds in an overnight deposit with the bank</td>
<td></td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>OPERATIONAL</th>
<th>NON-OPERATIONAL</th>
<th>IMPLICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Held at the bank to fund critical operational activity</td>
<td>• Fundable across multiple products/providers</td>
<td>Non-operational balances have a greater runoff factor than balances tied to day-to-day operational activity and therefore require banks to hold more HQLA against non-operational balances.</td>
</tr>
<tr>
<td>• High switching costs</td>
<td>• Cash is sensitive to and may move to alternatives for yields</td>
<td></td>
</tr>
<tr>
<td>• Balance fluctuates day-to-day</td>
<td>• Balances are highly stable or large and short-term</td>
<td></td>
</tr>
</tbody>
</table>
BANK REGULATORY REFORM: LIQUIDITY COVERAGE RATIO

LCR: Runoff Prone Deposits

• With LCR, banks need to cover 30 days of outflows with HQLA – however not all outflows are treated equal
• The determining factors are the nature of the deposit and who the depositor is – the more risk prone categories and types of depositor govern the highest outflow factor
• So cash taken from say, a hedge fund, with a 100% outflow factor, needs to be 100% covered by HQLA either owned outright or repo’ed in for more than 30 days
• It is no surprise that cash from these kinds of institutions are becoming too expensive for banks to hold

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>BALANCES IN QUESTION</th>
<th>LCR OUTFLOW FACTOR</th>
<th>POTENTIAL IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business (retail vs. wholesale)</td>
<td>~$1.0 T</td>
<td>10% vs. 40%</td>
<td>~$300 BN</td>
</tr>
<tr>
<td>Stable vs. Other (retail deposits)</td>
<td>~$9.0 T</td>
<td>3% vs. 10%</td>
<td>~$600 BN</td>
</tr>
<tr>
<td>Financial vs. Non-Financial Deposits</td>
<td>~$1.5 T</td>
<td>40% vs. 100%</td>
<td>~$900 BN</td>
</tr>
<tr>
<td>Operational vs. Non-operational deposits</td>
<td>~$1.0 T</td>
<td>25% vs. 40%</td>
<td>~$150 BN</td>
</tr>
</tbody>
</table>

In 2018 the Net Stable Funding Ratio (NSFR) is only expected to tighten the governance of these deposits.
BANK REGULATORY REFORM: NET STABLE FUNDING RATIO

• The NSFR is seen as a long term complement to its previously finalized Liquidity Coverage Ratio (LCR), which is intended to promote short term resilience of a firm’s liquidity risk profile.

• The Net Stable Funding Ratio ("NSFR") compares the amount of a firm’s available stable funding (ASF) to its required stable funding (ASF) to measure how the firm’s asset base is funded.

• Funding from non-financials will be more valuable than cash from financials.
  • The Available Stable Funding (ASF) factor applied to cash from a non-financial is 50% for trades 1 year or less.
  • To get that same 50% factor for funding from a financial institution, the maturity has to be at least 6 months.
  • Funding from a financial shorter than 6 months has a 0% ASF factor.

• Implementation of NSFR is not scheduled until January 1, 2018
SEC MONEY FUND REFORM

• Floating NAV for institutional prime and municipal funds
  - Potential for small losses
  - Some administrative burdens

• Liquidity fees and redemption gates for prime and municipal funds
  - Potentially limited access to liquidity during stress (up to 10 business days in a 90 day period)
  - Fees of up to 2% for investors who require cash in times of stress
  - Operational complexity for fund managers and intermediaries

• Government funds exempt from floating NAV and fees/gates
  - Expected inflows could bump against limited supply

• Enhanced diversification, stress testing, and reporting requirements

• Important Dates:
  - April 14, 2016: forms N-IA, PF, N-MFP
  - July 14, 2016: form N-CR website disclosure
  - October 14, 2016: floating NAV, liquidity fees and gates, advertisement and prospectus disclosure
DAYS TO REFORM

212
MONEY FUND INDUSTRY RESPONDS

• Restructuring of existing 2a-7 prime money funds
  − “Short-maturity” funds: investing inside of 60 days or 7 days to limit applicability of floating NAV and/or fees and gates

• Launching or expanding alternative liquidity products to meet clients’ needs
  − Private/unregistered prime money funds
  − Short-term bond funds
  − Separately managed accounts

• Converting retail prime money funds to government funds
  − $116 billion Fidelity Cash Reserves and the $25 billion Franklin Templeton Money Market Portfolio

• Smaller fund managers exiting the industry or merging funds to reduce costs
  − This reflects the higher cost of reform implementation for prime funds compared to government funds, which is particularly onerous for fund managers that lack scale to absorb the outlays
MOODY’S MAINTAINS NEGATIVE OUTLOOK ON MMF INDUSTRY

• Despite cautious investment approaches, MMFs struggle to maintain the highest credit and stability profiles

• The number of Aaa-mf funds is likely to decrease
  – Challenging market conditions drive higher rates of rating withdrawals

• Shortage of short-dated high quality investments significant challenge for MMFs
  – Supply conditions remain tight and expected to be tighter by year-end

• Divergence in global monetary policies drives changes in MMF investor behavior

• New MMF reforms in the US and proposed MMF regulations in Europe will make MMFs less attractive to institutional investors globally
  – Investors continue to kick tires on alternatives but “new” options not yet introduced
HOW MUCH WILL INVESTORS MOVE OUT OF PRIME AND INTO GOVERNMENT FUNDS, OR OTHER VEHICLES, IN 2016?

“Total Government money fund assets are almost equal to Prime MMF assets -- $1.267 trillion is in Prime vs. $1.241 trillion in Government. Among Prime assets, $797.8 billion is Institutional and $469.6 billion is Retail. The range of outflows is anywhere from zero to $1.3 trillion.”
– Money Market Fund Assets, Investment Company Institute’s,

”Expect an additional $400 billion to leave Prime funds via investor outflows with a portion potentially finding its way into government MMFs.”

“We expect that the switch to a floating NAV and the imposition of fees and gates will result in a large migration of assets out of Prime funds. The global money market industry is roughly $3.3tn in size, $2.7tn of which is in the US. Prime funds account for just over half the US total, about $1.4tn. We estimate as much as 70% of the $1.4tn [$980 billion] in Prime funds will migrate elsewhere.”
–Sees Almost $1 Trillion Leaving Prime Money Market Funds, Goldman Sachs AM, October 9, 2015

The movement of such large positions is set to impact the short-term markets, benefiting government securities while reducing demand for bank and corporate debt.
TOTAL ANNOUNCED AUM FUNDS CONVERTING: $259B

- Government Assets at Announcement Date: $66 Billion (25.5%)
- Converted Through Nov. 30, 2015: $152 Billion (58.7%)
- Remaining To Convert: $41 Billion (15.8%)

Source: Fitch, Crane Data, Fund Documents, SEC

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(source: iMoneyNew, Fitch)
UNDER PRESSURE: HQLA

Supply & Demand Constraints of HQLA

- Basel III liquidity coverage ratio and leverage ratio requirements are putting pressure on the availability of short-term bank debt, deposits and repo
- With large flows expected into US government funds, the Fed’s RRP will absorb a large portion of that cash since the supply of Treasury and Agency securities is limited and yields on these securities will continue to be pressured

Treasury Bills

- JPMorgan Chase & Co. expects an extra $900 billion of demand for government securities, putting pressure on a sizable chunk of the $1.4 trillion bill market
- The mismatch between supply and demand has been so acute that four-week bill rates fell to minus 0.0304 percent on April 29 2015, the lowest on a closing basis since December 2008
- The average maturity of U.S. debt outstanding has lengthened to 69 months, the longest since 2001, as the amount of bills has decreased to about 11 percent of the Treasuries

Commercial Paper

- The number of collateralized commercial paper (CCP) programs peaked in February 2014 and had thus fallen by 43% in August 2015.
- Commercial Paper holdings in Prime funds amounted to 24.7% and down to $355.8 billion in latest report (Feb 2016)

Source: Bloomberg, Fitch Ratings, CraneData
UNDER PRESSURE: HQLA

Reverse Repo Facility

• Introduced in 2013, the Fed’s RRP program was introduced to help guide market rates higher in times of normalizing monetary policy

• Participation has increased significantly – especially around key reporting dates – hitting the $300B cap at the end of Q3 2014 and remain the largest MMF portfolio segment followed by Treasuries and Agencies

• The Fed expects to expand the capacity of the RRP from $300B to $2T

• Members of the Federal Open Market Committee (FOMC) remain concerned that there is a relatively large reliance on RRP and continuing to raise the capacity may represent a potentially destabilizing run risk

• The RRP was framed as a temporary facility to be eventually be phased out completely, at that point, interest of excess reserves (IOER) is expected to be the main tool used to influence money market rates
WHAT TREASURERS ARE SEEKING TODAY:
A PRACTITIONER’S PERSPECTIVE
THE MOST IMPORTANT OBJECTIVE OF ORGANIZATIONS’ CASH INVESTMENT POLICY

(Percentage Distribution)

Source: 2015 AFP Liquidity Survey
ALLOCATION OF SHORT-TERM INVESTMENTS, 2007-2015
(Mean Percentage Distribution)

Source: 2015 AFP Liquidity Survey
# LIQUIDITY MANAGEMENT: WHAT ARE THE OPTIONS?

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>VALUATION</th>
<th>REDEMPTION RESTRICTIONS</th>
<th>REGULATED</th>
<th>RESTRICTED ACCESSIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank demand deposit</td>
<td>Stable</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Time/certificates of deposit</td>
<td>Stable</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Private money funds</td>
<td>Stable (generally)</td>
<td>By contract</td>
<td>No</td>
<td>Yes (large clients)</td>
</tr>
<tr>
<td>Ultra-short bond funds</td>
<td>Floating NAV</td>
<td>Some</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Short-duration ETFs</td>
<td>Floating NAV</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Separately managed accounts</td>
<td>Market value</td>
<td>No, but investor bears losses on sale</td>
<td>No</td>
<td>Yes (large clients)</td>
</tr>
<tr>
<td>Direct investments in money market instruments</td>
<td>Market value</td>
<td>No, but investor bears losses on sale</td>
<td>No</td>
<td>Some</td>
</tr>
<tr>
<td>Retail prime MMFs</td>
<td>Stable NAV</td>
<td>Yes, fees &amp; gates</td>
<td>Yes</td>
<td>Yes (retail only)</td>
</tr>
<tr>
<td>Inst. prime MMFs</td>
<td>Floating NAV</td>
<td>Yes, fees &amp; gates</td>
<td>Yes</td>
<td>No</td>
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<tr>
<td>“Short maturity” prime MMFs</td>
<td>Potentially stable</td>
<td>Yes, but potentially less likely</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Government MMFs</td>
<td>Stable NAV</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Structured bank deposits (FICA)</strong></td>
<td>Stable NAV</td>
<td>Yes</td>
<td>No</td>
<td>Yes (large clients)</td>
</tr>
</tbody>
</table>

Source: SEC, Fitch Ratings
"Regular opportunities exist to purchase full faith and credit instruments of the U.S. government at spreads of 40 to 50 basis points above otherwise comparable but more liquid treasury issues."

–David Swensen, CIO, Yale University
CASH MANAGEMENT BEYOND THE BIG THREE
Structured Bank Deposit Vehicles have gained recognition as alternatives to other cash vehicles and according to the most recent AFP Liquidity Survey, now represent 24% of institutional bank deposits.

**Instruments Used When Investing in Bank Deposits**
*(Percent of Organizations that Maintain Cash and Short-Term Investment Holdings in Banks)*

<table>
<thead>
<tr>
<th>Instrument Type</th>
<th>All Responses</th>
<th>Annual Revenues Under $1B</th>
<th>Annual Revenues At Least $1B</th>
<th>Net Borrower</th>
<th>Net Investor</th>
<th>Investment Grade</th>
<th>Non-Investment Grade</th>
<th>Publicly Owned</th>
<th>Privately Held</th>
<th>2014 Survey All Respondents</th>
</tr>
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<tbody>
<tr>
<td>Time Deposits (e.g., CDs)</td>
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<td></td>
<td>54%</td>
<td>47%</td>
<td>62%</td>
<td>52%</td>
<td>56%</td>
<td>57%</td>
<td>51%</td>
<td>61%</td>
<td>51%</td>
<td>55%</td>
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<tr>
<td>Non-interest bearing deposit accounts</td>
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<td>41</td>
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<td>40</td>
<td>38</td>
<td>35</td>
<td>45</td>
<td>51</td>
</tr>
<tr>
<td>Structured Bank Deposit Products (e.g., FICA)</td>
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<td>27</td>
<td>21</td>
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<td>26</td>
</tr>
<tr>
<td>Structured certificates of deposit (e.g., CDARS)</td>
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<td>17</td>
<td>15</td>
<td>13</td>
<td>12</td>
<td>12</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: 2015 AFP Liquidity Survey
WHAT ARE STRUCTURED FDIC INSURED BANK DEPOSIT PRODUCTS?

- Primarily a series of electronically-linked bank deposit accounts at one or more banks available within a single account
- Programs can offer extended FDIC insurance as a result of having multiple banks or savings institutions, each providing up to $250,000 of insurance.
- FDIC opinion allows for agency pass-through of deposit insurance – Look for letter from FDIC confirming offering meets FDIC requirements
- Two type of programs - Term (utilizes CDs) and Liquid (utilizes MMDA)
- Programs can offer from $500,000 to $50 million plus of FDIC insurance via a single account, per tax ID
- An estimated $600 billion is in FDIC-insured deposit vehicles (CraneData)
WHY ARE STRUCTURED FDIC INSURED BANK DEPOSIT PRODUCTS ATTRACTIVE FOR SHORT TERM CASH?

Safety

• Deposits are FDIC insured and backed by the full faith and credit of the U.S. Government
  – “No insured depositor has ever lost a penny of FDIC insured deposits— and none ever will.”
  – Sheila Bair, Former Chairman of the Federal Deposit Insurance (November 17, 2009)

Liquidity

• No term commitments

• No penalties or withdrawal fees

Yield

• May offer a premium yield over money funds, treasuries and short term CDs
FEDERALLY INSURED CASH ACCOUNT (FICA®)

- FICA is a proprietary “alternative” cash management vehicle that offers a high level of FDIC insurance, next day liquidity and an attractive yield.

- Provides over 1,000 institutional depositors with access to our network of 600+ carefully screened banks via a single, convenient account.

- Uses proprietary algorithms to allocate customers’ large deposits to ensure full FDIC insurance and attractive yields versus money funds, treasuries and other cash products.

### SAFETY
- Fully FDIC-insured
- Deposits are backed by the full faith and credit of the U.S. government
- Highly diversified—no single bank holds more than $250,000 per depositor
- No market or credit risk

### LIQUIDITY
- No term commitment
- Next day liquidity with same day purchase credit
- Unlike a money fund liquidity is not adversely affected by other investors

### PERFORMANCE
- Superior yield when compared to money market funds, U.S. Treasuries, commercial paper, CDs, time deposits and all other money market instruments
FICA AT-A-GLANCE

Product Category: FDIC-Insured Liquid Structured Bank Deposit Vehicle
Current Yield (3/1/16): .35%¹
Minimum Initial Deposit: $1,000,000
Account Transparency: Daily
Purchases: Daily²
Redemptions: Daily²
Custodial Bank: U.S. Bank, N.A.

ADDITIONAL BENEFITS

Transparency: Ability to view location of all deposits

Direct ownership: Provides direct ownership of underlying deposit, which is not impacted by the actions of other investors, unlike a money fund or investment pool

Control: Ability to opt out of specific banks

Diversification: No single bank holds more than $250,000 of any individual client deposit
NEXT STEPS: THE INVESTMENT POLICY
WRITTEN INVESTMENT POLICIES
As the market evolves, so should your investment guideline

Prevalence of Written Cash Investment Policies
(Percent of Organizations)

- All responses: 70%
- Annual revenue under $1 billion: 55%
- Annual revenue at least $1 billion: 86%
- Publicly owned: 85%
- Privately held: 50%

Source: 2015 AFP Liquidity Survey
CASH SEPARATED IN INVESTMENT POLICY

Organizations With Investment Policies that Call Out/Separate Cash Holdings Used for Day-to-Day Liquidity

55% Policies Do Not Call Out/ Separate Cash Holdings

45% Policies Call Out/ Separate Cash Holdings

Source: 2015 AFP Liquidity Survey
## Anticipated Changes in Organization’s Investment Policy in Response to SEC’s Changes in Money Fund Rules

*(Percent of Organizations)*

<table>
<thead>
<tr>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund concentration risk changes</td>
<td>32%</td>
</tr>
<tr>
<td>Fund ratings changes</td>
<td>23%</td>
</tr>
<tr>
<td>Defining counterparty limits for bank deposits</td>
<td>22%</td>
</tr>
<tr>
<td>Adding separately managed accounts</td>
<td>22%</td>
</tr>
<tr>
<td>Maturity changes</td>
<td>19%</td>
</tr>
<tr>
<td>Credit quality changes</td>
<td>16%</td>
</tr>
<tr>
<td>Adding in a position statement...</td>
<td>16%</td>
</tr>
<tr>
<td>Allowing direct repo</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Bank of America
INVESTMENT POLICY CONSIDERATIONS FOR EXTENDED FDIC INSURED VEHICLES

• Savings or deposit accounts in financial institutions provided that all of the following conditions are met:
  – Funds are deposited only with Well Capitalized financial institutions
  – The full amount of each deposit and the interest that may accrue on each deposit shall at all times be insured by the Federal Deposit Insurance Corporation
DO YOUR RESEARCH—NOT ALL PROGRAMS ARE EQUAL

Below are some criteria to consider when reviewing extended FDIC insured offerings:

• Due Diligence (research and inquire)

• Organizational stability – (company reputation, financial stability, quality, and thought leadership of senior management)

• Commitment to space – (infrastructure in support of offerings, how many persons in operations, support and resources dedicated to bank review and analysis)

• Referrals and references

• Industry visibility

• FDIC Insurance Pass Through Notice
 CLIENTS NEED TO ASSESS THEIR READINESS AND PREPARE FOR THE NEW ENVIRONMENT

- Short term funding is being deemphasized with the adoption of Basel III bank regulation. This potentially has implications for bank balance sheet capacity.

- The availability of investment products traditionally used by liquidity investors will change and investors need to prepare for change.

- Products that provide optimal liquidity characteristics will play an important role in investment portfolios.

Source: GSAM FOR ILLUSTRATIVE PURPOSES ONLY.
The changing regulatory environment is leading to a comprehensive review of investment policies and a reevaluation of strategies for managing corporate liquidity.
THANK YOU

StoneCastle

Brandon Semilof
Managing Director
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