MONEY MARKET INVESTMENT INSTRUMENTS

EFFECTIVELY MANAGE SHORT-TERM LIQUIDITY NEEDS

Your organization may have excess cash to invest on a short-term basis, from several days to just under a year. Because you wish to protect the value of your cash, you need a safe place to invest your money. Money market investments are a segment of the financial market in which financial instruments with high liquidity and very short maturities are traded.

PNC DELIVERS

PNC's dedicated team of fixed income experts can help you to effectively manage your short-term liquidity needs. We can provide solutions such as negotiable certificates of deposit (CDs), Agency discount notes, U.S. Treasury bills, commercial paper, variable rate demand notes and money market mutual funds.

MONEY MARKET SECURITIES

Negotiable Certificate of Deposit (CD)

- A CD is a savings certificate that entitles the bearer to receive interest. A CD bears a maturity date, has a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC, up to $250,000. The term of a CD generally ranges from one month to five years.
- A CD is a promissory note issued by a bank. It is a time deposit that restricts holders from withdrawing funds on demand. Although it is still possible to withdraw the money, this action will often incur a penalty. CDs of less than $100,000 are called "small CDs"; CDs for more than $100,000 are called "large CDs" or "jumbo CDs." Almost all large CDs, as well as some small CDs, are negotiable.

Agency Discount Notes

- Agency Discount Notes are short-term debt obligations issued at a discount to par.
- Similar to Treasury Bills, they are typically issued by government-sponsored agencies or highly rated corporate borrowers.
- They do not provide interest payments. Instead, the bond is matured at a par value above the purchase price, and the price appreciation is used to calculate the investment's yield.
- Maturity dates can be up to one year in length.

Treasury Bill (T-Bill)

- T-Bills are short-term debt obligations issued by the U.S. government with a maturity of less than one year.
- Sold in denominations of $1,000 up to a maximum purchase of $5 million, they typically have maturities of 1 month (4 weeks), 3 months (13 weeks) or 6 months (26 weeks).
- T-Bills are issued through a competitive bidding process at a discount from par (rather than paying fixed-interest payments, e.g., conventional bonds, the appreciation of the bond provides the return to the holder).

Commercial Paper

- These are unsecured, short-term debt instruments issued by corporations, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.
- Maturities rarely range longer than 270 days.
- Debt is usually issued at a discount, reflecting prevailing market interest rates.
- They are not usually backed by any form of collateral; therefore, only firms with high-quality debt ratings will easily find buyers without having to offer a substantial discount (higher cost) for the debt issue.
- A major benefit of commercial paper is that it does not need to be registered with the Securities and Exchange Commission (SEC) as long as it matures before 9 months (270 days), making it a very cost-effective means of financing.
- Proceeds from this type of financing can only be used on current assets (inventories) and are not allowed to be used on fixed assets (e.g., a new plant), without SEC involvement.

Variable Rate Demand Notes (VRDNs) and One Year Notes

- These debt instruments initially bear a variable interest rate.
- Maturity is generally long term.
- Interest rate is reset on a regular basis (i.e., daily, weekly, monthly, etc.) and corresponds to the short end of the yield curve.
- They are secured by bank letters of credit that are of high credit quality.
- They possess a “put” feature that provides liquidity for the investor.
- Revenue-related entities (e.g., hospitals, colleges and corporate-backed municipals) are the major issuers of variable-rate debt.

Money Market Mutual Funds

Manage short-term liquidity needs with the Liquidity Portal via PINACLE,® PNC’s top-rated online corporate banking portal. Money market mutual funds:

- Provide a diverse collection of short-term investments.
- Trade in both taxable and tax-exempt instruments.
- Offer competitive yields.

Available Money Market Mutual Funds

Invesco ▪ Dreyfus ▪ Goldman Sachs ▪ PNC ▪ Federated ▪ JPMorgan Chase ▪ BlackRock ▪ Fidelity ▪ Morgan Stanley

PNC’S FIXED INCOME SALES AND TRADING DESKS

Cleveland	1-800-622-1168
Columbus	1-800-223-7127
Indianapolis	1-800-821-9211
Louisville	1-800-627-9797
New York	212-339-5733
Philadelphia	1-877-587-8554
Pittsburgh	1-800-765-8472

READY TO HELP

At PNC, we combine a wider range of financial resources with a deeper understanding of your business to help you achieve your goals. To learn more about how we can bring ideas, insight and solutions to you, please contact PNC’s Fixed Income group or visit **pnc.com/cib**.

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