

Citibank[®] Online Investments

International Money Market Fund Primer

Citibank Online Investments provides access to international (non-U.S. domiciled) stable value money market funds that are managed according to either the Institutional Money Market Fund Association (IMMFA) Code of Practice or by Securities and Exchange Commission (SEC) Rule 2a-7 of the U.S. Investment Company Act of 1940 [available only to non-U.S. clients]. While international stable value money market funds may be managed according to SEC Rule 2a-7, the funds are not registered with the SEC or governed by the rule.

Summary of SEC Rule 2a-7 and IMMFA Code of Practice

The following provides certain information with respect to Rule 2a-7 and IMMFA Code of Practice and is not a comprehensive recitation.

	2a-7	IMMFA*
Maturity Limits¹		
Max Fund Weighted Average Maturity (WAM)	60 days	60 days
Max Fund Weighted Average Life (WAL)	120 days	120 days
Max maturity per security	397 days	397 days
Liquidity²		
Daily Liquidity Requirement	10%	10%
Weekly Liquidity Requirement	30%	20%
Max Illiquid securities allocation ³	5%	5%
Diversification		
Max per Issuer ⁴	5%	5%
Credit Quality⁵		
<i>(Triple-A rated funds are restricted from investing in any second-tier securities)</i>		
Max second-tier (A2/P2) securities allocation	3%	0%
Issue limit for second-tier (A2/P2) securities	0.5%	N/A
Max maturity for second-tier (A2/P2) securities	45 days	N/A
Additional Requirements		
Triple-A rating required	No	Yes
Portfolio disclosure (monthly)	Yes	Yes
Periodic stress testing ⁶	Yes	Yes
"Know your investor"	Yes	Yes
Report shadow Net Asset Value (NAV)	Yes	No

Please note that money market funds are neither deposits nor obligations of any bank. Additionally, they are not insured by any government or any governmental agency. Although stable value money market funds seek to preserve the value of your investment at USD/EUR/GBP 1.00 per share (depending on the denomination of the fund), it is possible to lose money by investing in a fund.

*IMMFA Enhanced Code of Practice adopted on June 15th, 2011 – existing fund providers have a six-month grace period and have until December 15th, 2011 to comply with the new IMMFA Code of Practice.

International stable value money market funds are structured to provide safety, diversity, daily liquidity and capital preservation. Citi only offers institutional funds that either adhere to the IMMFA Code of Practice, or are managed in accordance with SEC Rule 2a-7, i.e., master/feeder "Hub and Spoke" funds, meaning that they are not registered with nor regulated by the U.S. SEC but managed in accordance with the requirements. The two organizations impose limitations on fund portfolios with respect to acceptable investment securities, issue diversification, individual security maximum remaining maturity and portfolio weighted average maturity. In 2010, both organizations adopted similar changes to their standards, which were designed to mitigate investors' risk by increasing the resilience of money market funds in changing economic environments and financial market turmoil. Improved liquidity requirements, higher credit quality standards and tighter maturity limits have been implemented to ensure funds can meet the liquidity needs of their investors. Additionally, to receive and maintain a triple-A NRSRO rating, rating agencies impose further restrictions on money market fund portfolios.



Types of international stable value money market funds

USD-denominated prime/CP money market funds invest in a diversified portfolio of high-quality, short-term U.S. dollar-denominated debt securities (fixed and floating rate), including commercial paper and other short-term corporate obligations; certificates of deposit, time deposit, and other short-term securities issued by U.S. or non-U.S. banks; repurchase agreements, including tri-party repurchase agreements; securities issued or guaranteed by the U.S. government or its agencies or instrumentalities; dollar-denominated obligations issued or guaranteed by one or more non-U.S. government.

USD-denominated government/Treasury/Repo money market funds invest in a portfolio consisting of U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements secured by such obligations.

EUR-denominated triple-A-rated prime/CP money market funds

invest in a diversified portfolio of high-quality, short-term euro-denominated debt securities (fixed and floating rate), including obligations of financial institutions, such as time deposits and certificates of deposits; commercial paper and other short-term corporate obligations; repurchase agreements, including tri-party repurchase agreements; securities issued or guaranteed by the government, agencies and instrumentalities of the member countries of the European Union.

EUR-denominated government money market funds invest in a portfolio consisting of euro-denominated, high-quality money market securities (fixed and floating rate) issued by sovereign governments located within the European Union, and issuers explicitly guaranteed by such governments; and repurchase agreements fully backed by high-quality, euro-denominated European government debt securities.

GBP-denominated triple-A-rated prime/CP money market funds

invest in a diversified portfolio of high-quality, short-term sterling-denominated debt securities (fixed and floating rate), including obligations of financial institutions, such as time deposits and certificates of deposit; commercial paper and other short-term corporate obligations; repurchase agreements, including tri-party repurchase agreements; sterling-denominated obligations issued or guaranteed by the UK government.

GBP-denominated government money market funds invest in a portfolio consisting of sterling-denominated, high-quality government money market securities (fixed and floating rate) issued primarily by the UK government; and repurchase agreements fully backed by sterling-denominated securities described above.

¹ Rated funds must also undergo weekly monitoring by each agency that rates the portfolio.

² Under Rule 2a-7, a money market fund must have at least 10% of a taxable money market fund's assets in "Daily Liquid Assets," defined as: cash, direct obligations of the U.S. government or securities readily convertible to cash within one business day. Thirty percent of a money market fund's assets must be in "Weekly Liquid Assets," defined as cash, direct obligations of the U.S. government, including certain government agency securities with remaining maturities of 60 days or less, and securities readily convertible to cash within five days, not one day. A fund may not purchase illiquid securities if, after the purchase, more than 5% of the fund's portfolio would be in such illiquid securities. Additionally, money market funds must hold "securities that are sufficiently liquid to meet reasonably foreseeable shareholder redemptions in light of its Section 22(e) obligations and any commitments the fund has made to the shareholders."

³ The term "illiquid security" is defined as a security that cannot be sold or disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund.

⁴ (a) IMMFA complies with diversification limitations imposed by the rating agencies and (b) funds registered as UCITS must operate within the diversification requirements set out in UTCITS legislation (Directive 85/611/EEC). (c) a limit of 25% of fund assets with a single repurchase agreement counterparty unless that counterparty is either AAA-rated sovereign or the counterparty is explicitly guaranteed by a AAA-rated sovereign (d) a limit of 5% of assets in a single issuer except for asset-backed commercial paper and for securities maturing in five business days or less (for which the limit is 10% of assets) (e) a 5% limit on holdings of illiquid securities.

⁵ (a) Under Rule 2a-7, a money market fund may only invest in "eligible securities" which, generally, are securities that are rated in the two highest short-term rating categories by two NRSROs, or by one NRSRO if only one has provided the security with a short-term rating, or, if not so rated, then deemed to be of comparable quality by the money market fund's advisor. (b) Repurchase Agreements: To "look through," collateral must be cash items or government securities with creditworthy counterparties. Advisor must evaluate the creditworthiness of the repurchase counterparty. (c) IMMFA requires minimum credit ratings of A1/P1/F1 for all securities.

⁶ Funds are required to perform monthly stress testing of a fund's ability to maintain a stable USD/GBP/EUR 1.00 net asset value (NAV) in the event of interest rate or spread changes, shareholder redemptions and credit changes.

Past performance does not guarantee future results. Yields will fluctuate as market conditions change.

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