



# Cash Collateral Update

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Credit Subcommittee

- In October, 2016, new SEC rules on money market mutual funds went into effect
- The rules could have affected the availability of funds in the BlackRock TempFund where PJM Members' cash collateral was previously held
- New SEC regulations included:
  - Floating NAV (Net Asset Value)
  - Liquidity fee; possible fee on redemptions if fund's weekly liquid assets fall below 30%
  - Redemption gate; possible restrictions on withdrawals in times of stress

- In order to maintain principal and liquidity, PJM migrated cash collateral deposit accounts from BlackRock to PNC Bank in March, 2016
- PNC Bank deposit accounts:
  - Interest-bearing accounts
  - Aa2-rated institution
  - Full availability of funds at all times
  - FDIC insurance up to \$250,000 per Tax ID
- Treasury/Government money market funds were considered but at that time concerns existed over their future ability to accept new deposits

- Interest rates on short-term cash investments have slowly risen from March 2016 thru July 2018.
- The interest rates for the PNC Bank deposits as compared to average treasury/government money market mutual funds has changed as follows:

	<u>PNC Bank Account</u>	<u>Treasury/Gov't Funds</u>
January 2016	0.15%	0.01%
July 2018	1.15%	1.70%

- PJM is currently exploring capability to offer additional options for cash collateral investment
  - Reviewing treasury and government money market fund options
  - Identifying risk / reward of other investment options
  - Reviewing administrative processes necessary to manage an environment that provides multiple cash collateral options
- An update on this initiative will be provided at a future CS meeting