High-Level Process Flow: Intraday Floating NAVs

The attached schematic depicts process flows for institutional floating net asset value (NAV) money market funds that offer intraday liquidity by calculating several NAVs per day. The schematic assumes that NAVs are calculated three times each business day as of 9:00 a.m., noon, and 3:00 p.m., and that shareholder purchase and redemption orders are processed at the NAV next calculated after receipt of the shareholder's order. Proceeds from redemption orders, received and accepted prior to the last intraday NAV deadline, are wired to redeeming shareholders on a same-day basis (T+0).

The schematic depicts activity in four separate areas: portfolio management, fund accounting, transfer agent, and shareholder. A complete NAV processing cycle is assumed to require approximately three hours to complete as each NAV strike requires data from the previous cycle.

Portfolio management: Portfolio managers trade the fund's portfolio with pre-trade compliance monitoring of 30 percent weekly liquid assets, 10 percent daily liquid assets, and other Rule 2a-7 portfolio risk-limiting requirements. The schematic assumes portfolio trades executed will be held by the front office and reported to fund accounting after the next NAV (e.g., portfolio trades executed between 9:00 a.m. and noon are reported to fund accounting after noon and reflected in the fund's 3:00 p.m. NAV). Portfolio trades could also be reported to fund accounting in the period in which they occur and reflected in the next NAV. Both practices appear consistent with Rule 2a-4.

Fund accounting: Fund accounting sends a list of portfolio holdings to the pricing vendor shortly before each NAV. The pricing vendor provides market-based evaluated prices and returns the file to fund accounting, which calculates NAV per share. Intraday NAVs are full dealing NAVs and will be calculated in the same manner as a current end-of-day NAV, including all reviews and sign-offs performed by fund accounting agents, except that net investment income will be excluded from the intraday NAV calculations. Thereafter, the NAV is released to the transfer agent and other parties. Daily income and expense accruals are validated in the end-of-day dividend mil rate calculation. The daily dividend is fully paid for shares held in the fund overnight.
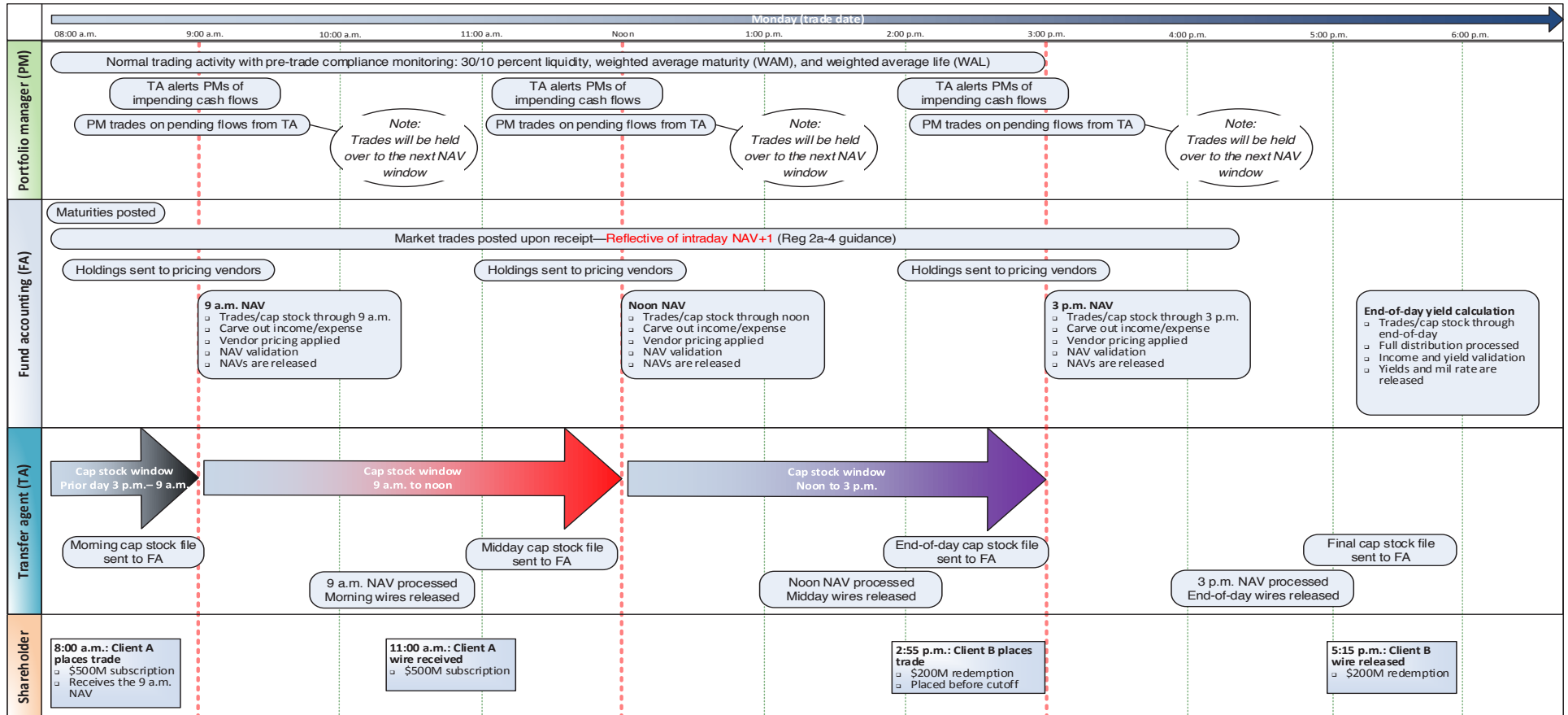
Transfer agent: The transfer agent aggregates shareholder purchase and redemption orders for processing at the NAV next calculated after receipt. The transfer agent may report large purchase/redemption orders received to portfolio management as they are received, so that portfolio management can take appropriate action.

Shareholder: The schematic assumes a shareholder (client A) places a $500 million purchase order with the fund at 8:00 a.m. The shareholder's purchase order is processed at the next calculated NAV, 9:00 a.m. The schematic assumes a separate shareholder (client B) places a $200 million redemption order with the fund at 2:55 p.m. The shareholder's redemption order is processed at the next calculated NAV, 3:00 p.m. The transfer agent wires redemption proceeds to client B later that same day.

Though not included in the schematic, industry participants may consider calculating a fourth NAV per day (e.g., at 4:00 or 5:00 p.m.). This NAV could support a dividend reinvestment processes, as well as T+1 settlement trades and/or exchanges from long-term funds at a similar valuation point. For example, a shareholder purchase order received by the fund after the last intraday NAV (i.e., 3:00 p.m.) would receive this end-of-day NAV, but would not be entitled to the dividend accrual for that date.

High-Level Intraday Floating NAVs
Liquidity NAVs at 9:00 a.m., noon, and 3:00 p.m.

Monday (trade date)

Timeline: 08:00 a.m. — 9:00 a.m. — 10:00 a.m. — 11:00 a.m. — Noon — 1:00 p.m. — 2:00 p.m. — 3:00 p.m. — 4:00 p.m. — 5:00 p.m. — 6:00 p.m.

Portfolio manager (PM)

Normal trading activity with pre-trade compliance monitoring: 30/10 percent liquidity, weighted average maturity (WAM), and weighted average life (WAL)

- TA alerts PMs of impending cash flows
- PM trades on pending flows from TA
- *Note: Trades will be held over to the next NAV window*

(repeated three times across the timeline)

Fund accounting (FA)

- Maturities posted
- Market trades posted upon receipt—Reflective of intraday NAV+1 (Reg 2a-4 guidance)
- Holdings sent to pricing vendors (three times)

9 a.m. NAV
- Trades/cap stock through 9 a.m.
- Carve out income/expense
- Vendor pricing applied
- NAV validation
- NAVs are released

Noon NAV
- Trades/cap stock through noon
- Carve out income/expense
- Vendor pricing applied
- NAV validation
- NAVs are released

3 p.m. NAV
- Trades/cap stock through 3 p.m.
- Carve out income/expense
- Vendor pricing applied
- NAV validation
- NAVs are released

End-of-day yield calculation
- Trades/cap stock through end-of-day
- Full distribution processed
- Income and yield validation
- Yields and mil rate are released

Transfer agent (TA)

- Cap stock window Prior day 3 p.m.– 9 a.m.
- Cap stock window 9 a.m. to noon
- Cap stock window Noon to 3 p.m.

- Morning cap stock file sent to FA
- Midday cap stock file sent to FA
- End-of-day cap stock file sent to FA
- Final cap stock file sent to FA

- 9 a.m. NAV processed Morning wires released
- Noon NAV processed Midday wires released
- 3 p.m. NAV processed End-of-day wires released

Shareholder

8:00 a.m.: Client A places trade
- $500M subscription
- Receives the 9 a.m. NAV

11:00 a.m.: Client A wire received
- $500M subscription

2:55 p.m.: Client B places trade
- $200M redemption
- Placed before cutoff

5:15 p.m.: Client B wire released
- $200M redemption

This is a hypothetical document to facilitate discussion of considerations for multiple NAV strikes per day. It is not endorsed by ICI as an all-inclusive, definitive approach for calculating multiple NAVs per day. Note: Earned income/expense is assumed to be fully distributed at each NAV point. No estimates are used, and realized gain/loss class-level NAV allocation is locked at each NAV point.