

Money market

Asset class fact sheet

This document informs you about the characteristics, advantages and risks of money market investments and is designed to help you make your investment decisions. If you have any questions, please do not hesitate to contact your client adviser at any time.

Money market investments are short term, low-risk (and generally low-interest) financial investments such as call deposits, fiduciary investments, time deposits, money market funds or accounts with variable credit balance interest.

Direct investments on the money market are short term investments with a certain minimum amount, an agreed interest rate¹ and, depending on the product involved, a fixed term determined in advance. Essentially, a distinction is drawn between money market investments and fiduciary investments:

- **Money market investments** may be performed both in the name of the client (uncertificated money market investments) as well as in the form of debentures (certificated money market investments).
- **Fiduciary investments** are performed in the name of Zuger Kantonalbank, but on the account and at the risk of clients at banks abroad (based on a fiduciary agreement between clients and the bank).

Typical direct investments on the money market

- **Uncertificated money market investments:** call deposits, fixed-term deposits as well as fiduciary call deposits and fixed-term deposits
- **Certificated money market investments:** money market book-entry claims, Treasury bills (T-bills), certificates of deposit (CDs) and commercial papers (CPs)

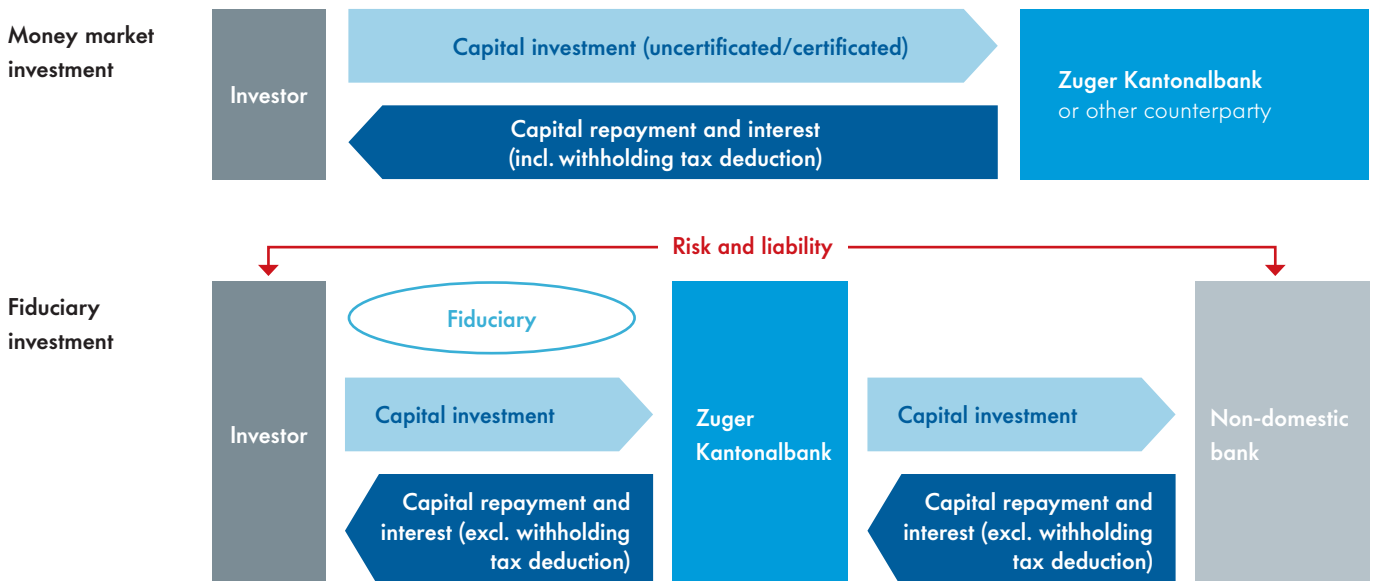
Contracting parties

In the case of **money market investments**, Zuger Kantonalbank or another counterparty is your contracting party.

In the case of **fiduciary investments**, you instruct Zuger Kantonalbank to invest the money for you on a fiduciary basis at a non-domestic bank. In this case, Zuger Kantonalbank does not issue any guarantee for the interest payment and for the repayment of the investment.

Special characteristics of fiduciary investments

Revenues from non-domestic **fiduciary investments** are not subject to withholding tax in Switzerland, although they may be subject to EU savings interest tax, depending on your personal circumstances.



¹ In the case of call deposits, the interest rate agreed for a day is applicable.

Benefits

Availability

In the case of direct money market investments (money market/fiduciary investments), a distinction is made between call and fixed-term deposits in terms of availability:

- Call deposits have an indefinite term. They remain invested until the investor terminates the deposits (termination period as a rule 48 hours or 2 value days).
- Fixed-term deposits have a fixed maturity and cannot be terminated prematurely. They automatically fall due at the end of the maturity.

Term

It is essentially the case that the term of direct investments on the money market is between one day and one year.

Agreed interest rate

The interest rate is agreed when a direct investment is made on the money market. This applies to the total term of the investment. In the case of call deposits, as a rule, the interest rate is agreed on a daily basis. If call deposits are held over a longer period, the interest rate can vary from day to day.

Fungibility of certificated money market investments

Certificated money market investments are traded on an organised capital market (stock exchange with or without central counterparty) or OTC between financial institutions. If a counterparty can be found, they can be sold or bought before the due date.

Deposit protection

Money market investments in Switzerland enjoy deposit protection up to the maximum sum of CHF 100,000 per client (generally does not apply to certificated money market and fiduciary investments). Call and fixed-term deposits at Zuger Kantonalbank enjoy the protection of a state guarantee.

Risks

Potential loss

In the case of direct investments on the money market, in the event of the insolvency of the contracting party (Zuger Kantonalbank or other Swiss or non-domestic counterparty), the investor may suffer a partial or total loss.

Market risk

The investor bears the risk that fluctuations in interest could have a negative impact on the value of the certificated money market products (e.g. Treasury bills, certificates of deposit, etc.) during their term.

Credit risk

The investor bears the credit risk of the contracting party (Zuger Kantonalbank or other Swiss or non-domestic counterparty). The credit risk is the risk of the contracting party becoming insolvent.

Liquidity risk

In an illiquid market, investors are exposed to the risk that the certificated money market investment could be held either to the end of its term, or may need to be sold before maturity at an unfavourable price. It is also possible that the determination of a fair price and the comparison of prices is difficult or impossible, as sometimes no counterparty exists on the market.

Foreign exchange risk

If the direct investment on the money market is performed in a currency other than the domestic currency of the investor, the investor may be exposed to a foreign exchange risk.

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