FUTURE PROOF BANKING & TREASURY

Embedded Treasury Solutions

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Investing involves risk. There is always the potential of losing money when you invest in securities.
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Investment products: Are Not FDIC Insured - Are Not Bank Guaranteed - May Lose Value

The power of direct treasury solutions

Treasury solutions to manage liquidity reserves should meet the following requirements:

- Minimal counterparty risks with maximum liquidity, especially under market duress.
- Transparent performance at or above the risk-free rate.
- Easy to manage with automated investment capabilities.

Historically, large corporations have had limited choices when it comes to managing their cash:

- Deposits at banks yield very little in the current yield environment (zero or even negative yield after fees) and FDIC insurance is limited to $250,000.
- The ability to liquidate and wire against U.S. Treasury Securities is limited. Most corporations are not equipped with advanced trading capabilities to fluidly manage dynamic portfolios of U.S. Treasury Securities.
- Other cash equivalents such as commercial paper are not truly liquid on a day-to-day basis and present increased counterparty risk when compared to U.S. Treasury Securities.

Money Market Funds, which represent $4.7T in government securities holdings and are widely used by corporate treasurers, present significant drawbacks as well:

- Money Market Funds' (MMFs) performance may lag behind government treasury index benchmarks due to fees and the reliance on proxy instruments such as Repurchase Agreements (Repos).
- The use of Repos is important to MMFs in order to maintain day to day liquidity, but it degrades performance as compared to the benchmarks (as apparent in 2020. See Figure 1.3) and furthermore can present significant counterparty risk (Agency Repo for example back in 2008).
- Although very liquid, MMFs positions can take a day to trade in or out of, incurring trading costs along the way.

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Advantage

- Automated investing
- Instant liquidity
- Configurable
- Seamless reinvestment at expiry
- Secure assets

Subject to disclosures, risks and material information noted within.

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Liquid U.S. T-Bill Ownership

The Solution

Jiko is a 5-year-old, growing banking organization founded and led by Wall Street veterans, quants and technologists, on a mission to redefine banking.

Jiko owns and operates a national bank as well as a broker-dealer, both running on Jiko's proprietary technology platform.

The joint offering consists of embedded Jiko accounts directly available on a business' existing platform, allowing their clients to conveniently allocate excess cash into short-term U.S. Treasury Securities (T-Bills) with more ease and flexibility than MMFs.

Direct exposure to US Government Treasury Securities:

- Safe
- Yielding
- Transparent

Minimized counterparty risks:

- T-Bills are held in the client's name.
- Jiko keeps the T-Bills custodied on a fully-paid-for basis and protected -- FINRA customer protection rule 15c3-3.
- Peace of mind that in a black swan event, clients will be holding one of the safest and most sought-after instruments in the market (see Figure 1.3).

Fluid and efficient:

- Funds are immediately available.
- Funds are always invested to reduce idle cash.

U.S. Treasury Securities are issued by the U.S. federal government and are backed by the "full faith and credit" of the U.S. government. Learn more here. Past performance is not indicative of future performance.

Jiko automated investments

Jiko's goal is to provide simple and transparent investments in U.S. Treasury Securities with flexible options for clients to choose from based on risk and term requirements.

Investing in T-Bills directly as compared to Money Market Funds:

We present here a performance comparison for Jiko's standard investment option, a buy and hold strategy that invests incoming funds in the latest on-the-run T-Bill of a given term. The term is chosen by the customer -- typically 1, 3, 6 or 12 months.

The T-Bills are simply held to maturity and when they mature the cash is immediately reinvested in the latest on-the-run T-Bill of the set term.

The charts on this page compare backtested performance (net of fees) for two such options (J3 and J12) to the average performance of leading Government Securities Money Market Funds*:

- J3 invests in 3-month T-Bills. This could be a good choice for a client looking for a cash equivalent holding.
- J12 invests in 12-month T-Bills. This could be a good choice for a client looking for more yield.

Figure 1.1 Source: Public filings and information

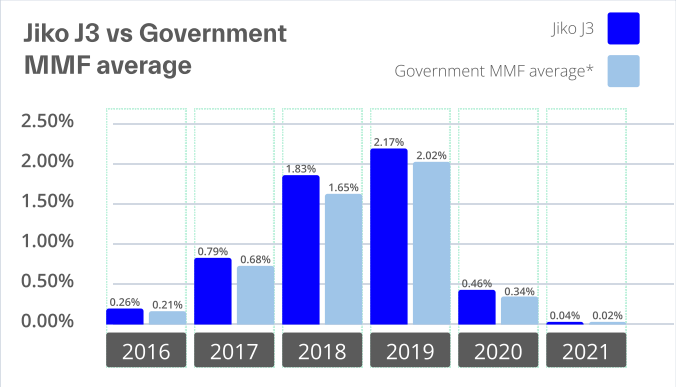

Chart compares backtested performance (net of fees) for Jiko's buy and hold strategy using 3-month T-Bills (J3) and the average performance of leading Government Money Market Funds*.

Figure 1.2 Source: Public filings and information

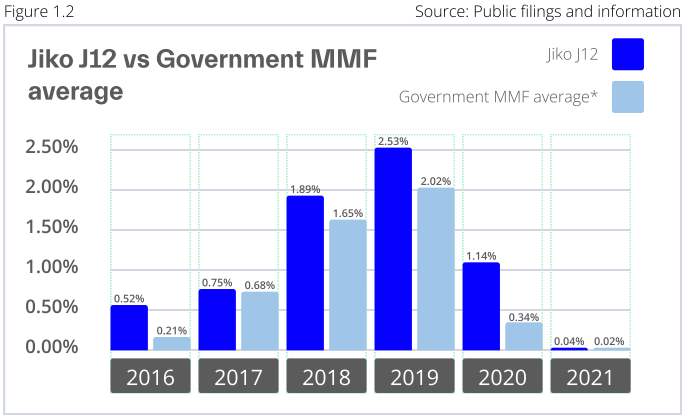

Chart compares backtested performance (net of fees) for Jiko's buy and hold strategy using 12-month T-Bills (J12) and the average performance of leading Government Securities Money Market Funds*.

Coming soon: enhanced flexible Treasury Securities investments

Jiko will allow for more configurable portfolio settings through the Jiko API. As an example, a Weighted Average Life (WAL) strategy would allow clients to hold a mix of securities, including U.S. Treasury Bills, Notes and Bonds, optimized for a chosen weighted average maturity of the portfolio.

* Average of leading Government Money Market Funds: DWS Government Money Market Series (ICAXX), UBS Treasury Institutional Fund (SETXX), Dreyfus Government Cash Management (DGCXX), Dreyfus Treasury Securities Cash Management (DPRXX), Fidelity Government Money Market Institutional (FRGXX).

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MMFs vs T-Bills under stress

While both destinations become attractive during periods of serious market stress, MMFs can diverge from T-Bills (as seen in the early months of 2020).

Figure 1.3 illlustrates the dislocations that occured in 2020. When markets performed poorly, MMFs stayed flat as repo markets were unmoved, yet T-Bills increased in demand due to the flight to asset safety.

Figure 1.3 Source: Public filings and information

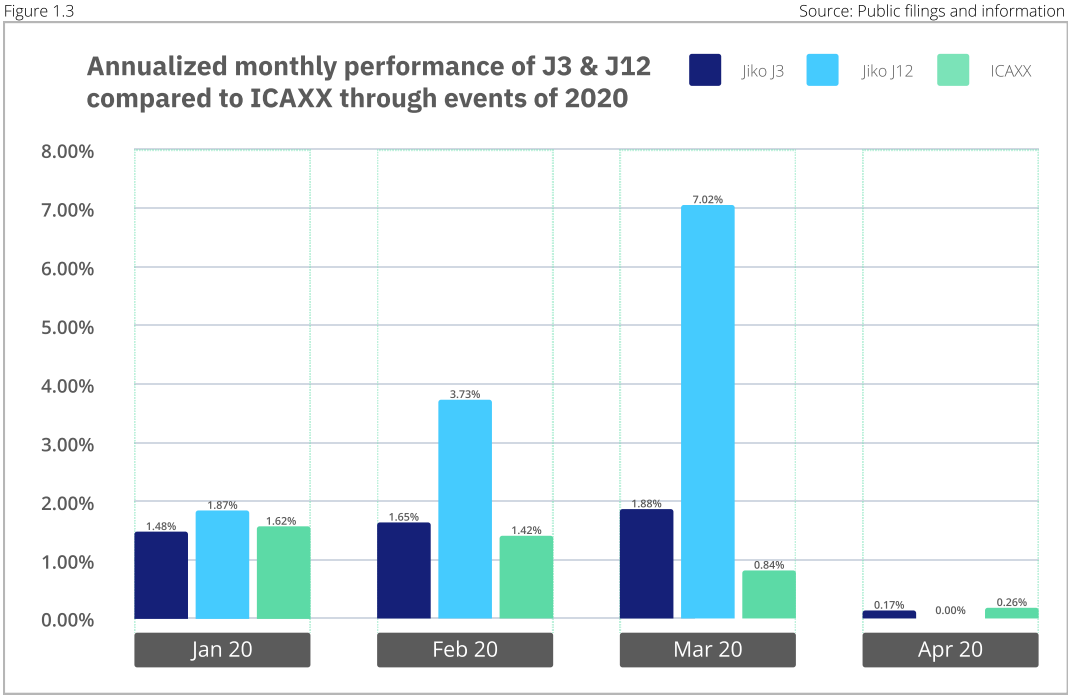

Chart compares backtested performance (net of fees) for two such options (J3 and J12) to the DWS Government Money Market Series (ICAXX). J3 represents Jiko's buy and hold strategy using 3-month T-Bills while J12 uses the 12-month T-Bill.

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About Jiko

Jiko is a federal bank holding company: Jiko owns and operates an FDIC-insured, OCC-chartered national bank as well as a regulated broker-dealer that provides 24/7 direct liquid trading of U.S. T-Bills.

Jiko built and operates its entire tech stack: from banking transactions to brokerage core positional ledgers, trading and risk management infrastructure, payment rails (wires, cards and ACH processing), to rigorous compliance and automated operational processes.

visit jiko.io for more

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