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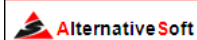
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FoHF?****Today is Friday, March 12, 2010 at 11:05 AM - Countdown to Market Close: 04 hr 54 min 09 sec****Hedge Funds & the Brokered CD Market**Yesterday, March 11, 2010 : [Permalink](#)

New York (HedgeCo.net) – Hedge fund managers can use the brokered CD market for cash management according to attorney Stephen M. Goodman, a partner with New York law firm Pryor Cashman.



“Brokered CDs are used in cash management to provide returns which are slightly better than money market funds, but with the added benefit of FDIC insurance,” Goodman said. “As long as the individual’s total deposits with any institution are less than the mandated limit, the funds at that institution will be insured. The deposits can be spread among multiple institutions if there is more cash than can be kept at a single one.”

Interest payments and maturities can be structured according to a client’s needs, Goodman explained. “Longer maturities may be possible than the usual CD,” he said. “They can be ‘laddered’ to ensure specific cash flows, and yields can be increased by acquiring ‘callable’ or ‘step-up’ CDs.

However, there are various risks, particularly if there is a need to liquidate a CD prior to maturity.

“On the date it is sold, intervening changes in interest rates may affect its value, as with any other debt security,” Goodman said. “Early redemption from the issuing institution can result in penalties. And of course there is generally a broker’s fee for acquiring the CD, which would in turn lower the overall return, depending on the number of CDs bought and sold and their size.”

Stephen M. Goodman acts as outside general counsel to a variety of public and private companies, particularly those involved in the development, exploitation, purchase and sale of intellectual property and technology assets, such as publishing and media companies, computer software and Internet companies, and pharmaceutical and biotechnology companies.

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