Cuyahoga County
Treasury Department

Statement of Investment Policy

This version effective as of April 30, 2021

Table of Contents

Purpose

The purpose of this policy is to identify the policies that will govern the Cuyahoga County, Ohio (the County) investment program. This policy has been adopted by, and can be changed only by, a majority vote of the Investment Advisory Committee.

This policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

All participants in the investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust and shall conform to all state/province and local statutes governing the investment of public funds.

Scope of the Investment Policy

This investment policy is a comprehensive one that governs the overall administration and investment management of those funds under the direct authority of the County Treasurer. These funds are described in the Annual Financial Report of the County. These policies apply to all investment transactions involving the financial assets in these funds. Any practice not clearly authorized under these policies is prohibited. The guidance set forth herein is to be strictly followed by all those responsible for any aspect of the management or administration of these funds.

A current copy of this policy shall be on file with the Ohio State Auditor.

Investment Objectives

The County portfolio shall be managed to accomplish the following hierarchy of objectives:

1. Preservation of Principal - The single most important objective of the County investment program is the preservation of principal of those funds within the portfolio.

2. Maintenance of Liquidity - The portfolio shall be managed in such a manner that assures that funds are available as needed to meet those immediate and/or future operating requirements of the County.

3. Maximize Return - The portfolio shall be managed in such a fashion as to attain a market-average rate of return throughout budgetary and economic cycles, within the context and parameters set forth by objectives 1 and 2 above.

Delegation of Authority

The County Treasurer is responsible for the prudent investment of County funds. The Treasurer shall establish written procedures for the operation of the investment program consistent with this policy, shall establish a system of controls to regulate the activities of subordinate officials and shall be responsible for all transactions undertaken. The procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer. Further, the roles and responsibilities of staff assigned to investment management shall be clearly defined through maintenance of formal job descriptions and established chain of command. Employees who directly manage investments will attend a minimum of 6 hours each year of continuing education on public sector investment topics at County cost. Staff shall be bonded in amounts appropriate to levels of responsibility and portfolio characteristics.

Investment Advisory Committee

As stipulated in Ohio Revised Code Section 135.341, The Investment Advisory Committee shall consist of three members; the County Executive, the County Treasurer and a representative of the County Council. The Committee may retain the services of an investment advisor, registered under the Investment Advisers Act of 1940, to assist in performing its duties. The Investment Advisory Committee shall review this policy every three months at regularly scheduled public meetings. The Committee may meet more frequently at the request of any member and add, delete, or amend investment policies at these public meetings.

Standard of Prudence

The standard of prudence to be applied to the investment of the County portfolio shall be the industry standard "Prudent Person Rule", which states:

"Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Investment staff acting in accordance with this policy or any other written procedures pertaining to the administration and management of the County portfolio and who exercise the proper due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that these deviations are reported in a timely fashion to the Investment Advisory Committee and that appropriate action is taken to control and prevent any further adverse developments.

Ethics and Conflict of Interest

Members of the Investment Advisory Committee and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal finance or investment positions that could be related to the performance of the County portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the County. Employees should keep an accurate record of any social interaction with brokers or agents for future review by supervisors and refrain from securing personal gifts from brokers with which they do County business.

Authorized Investments

Investment instruments authorized for purchase by the County include those described in Ohio Revised Code (Sections 135.18, 135.181,135.35), as summarized and restricted below:

1. U.S. Treasury Obligations. United States Treasury bills, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States.

2. Federal Agency Obligations. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Repurchase Agreements. Investments in repurchase agreements if the following conditions are met:

   a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency Obligations as defined above, having a market value at all times of at least one hundred two percent (102%) of the amount of the contract;

   b. a master repurchase agreement or specific written, repurchase agreement governs the transaction;

   c. the repurchase agreement has a term to maturity of no greater than thirty (30) days;

   d. the repurchase agreement is transacted on a delivery versus payment basis;

   e. the securities are held free and clear of any lien by an independent third-party custodian acting solely as agent for the County and is

      i. a Federal Reserve Bank, or

      ii. a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $100 million;

   f. a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. in such securities is created for the benefit of the County;

   g. for repurchase agreements with terms to maturity of greater than one (1) day, the County will value the collateral securities daily unless market conditions warrant more frequent valuation and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated.);

   h. Substitutions of collateral will be permitted only with advance written approval of an authorized Treasury employee;

   i. the County will enter into repurchase agreements only with:

      i. primary government securities dealers who are members of the Financial Industry Regulatory Authority (FINRA), report daily to the Federal Reserve Bank of New York

      ii. a bank, savings bank or savings and loan association having $5 billion in assets and $500 million in capital and regulated by the Superintendent of Financial Institutions, or through an institution regulated by the Comptroller of the Currency, Federal Deposit Insurance Corporation, or Board of Governors of the Federal Reserve System, or

      iii. diversified securities broker-dealers who are members of FINRA having $5 billion in assets and $500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and

   j. Repurchase agreement counter parties must meet the following criteria:

      i. have short-term credit rating of at least “A1” or equivalent by all of the nationally recognized statistical rating organizations (“NRSRO”) that rate the issuer;

      ii. have been in operation for at least 5 years, and iii.

      iii. be reputable among market participants.

4. Commercial paper. Unsecured short-term debt of an entity defined in Division (D) of Section 1705.01 of the Ohio Revised Code if the following conditions are met:

a. the maturity is no greater than two-hundred seventy (270) days;

b. the total holdings of an issuer's paper does not represent more than ten percent (10%) of the issuing corporation's total outstanding commercial paper;

c. the short-term debt rating is at least "A1" or equivalent by at least two NRSROs; and

d. the issuing entity has assets exceeding five hundred million dollars; and

e. the County has completed additional training of the type and amount prescribed by the Treasurer of State.

5. Bankers' acceptances of any bank insured by the Federal Deposit Insurance Corporation, whether a domestic bank or a federally chartered domestic branch office of a foreign bank, if the following requirements are met:

    a. the maturity is no greater than one hundred eighty (180) days;

    b. the short-term debt rating must be at least "A1" or equivalent by all of the NRSROs that rate the issuer (minimum of two ratings must be available);

    c. the amount invested in any single issuer will not exceed five percent (5%) of the County's total average portfolio on the date of acquisition; and

    d. the County has completed additional training of the type and amount prescribed by the Treasurer of State.

6. Municipal Obligations. Bonds and other obligations of the State of Ohio, the Cuyahoga County Land Reutilization Corporation, or the political subdivisions (including, but not limited to cities, townships, villages, and school districts) of the State of Ohio that mature within 10 years from the date of settlement.

7. Bank Deposits. Time certificates of deposit or savings or deposit accounts in an eligible institution defined in Section 135.32 of the Ohio Revised Code. Collateralization is required on all deposits of County funds in excess of the FDIC insurance limit by Section 135.18 or 135.181 of the Ohio Revised Code G. The County may invest in time certificates of deposit at a below-market rate of interest as part of a linked deposit program as provided for by Section 135.80 of the Ohio Revised Code.

8. State Pool. State of Ohio Local Government Investment Pool (STAR Ohio), if the highest letter or numerical rating provided by at least one nationally recognized rating service is maintained. The County would not be required to divest funds during the initial 180 days following the Treasurer of State's receipt of notice that the fund is not in compliance with the rating requirements; however, no additional investments may be made until the rating is restored to the highest letter or numerical rating provided. At no time will the County's investments in a fund represent more than 25% of the total net assets of the fund.

9. Registered Investment Companies (Mutual Funds.) Shares in open-end, no-load money market mutual funds rated in the highest category at the time of purchase by at least one NRSRO or consisting exclusively of obligations described in division (A)(1), (2), or (6) of section 135.143 of the Revised Code and repurchase agreements secured by such obligations. The fund must also be properly registered for sale in the State of Ohio and be purchased through eligible institutions defined in Section 135.32 of the Ohio Revised Code. Such institutions must also be designated as a depository bank of the County. At no time will the County's investment in a fund represent more than 25% of the total net assets of that fund.

10. Corporate Notes. Notes issued by corporations that are incorporated under the laws of the United States and that are operating within the United States, or by depository institutions that are doing business under authority granted by the United States or any state and that are operating within the United States, provided both of the following apply:

a. The notes are rated in the three highest categories by at least two nationally recognized rating services at the time of purchase.

b. The notes mature not later than three years after purchase.

11. Foreign Notes. Debt instruments rated at the time of purchase in one of the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government, provided the following apply:

    a. All interest and principal shall be denominated and payable in United States funds.

    b. The debt instrument is backed by the full faith and credit of that foreign nation, there is no prior history of default, and the debt instrument matures not later than five years after purchase.

12. Delinquent Tax Collection Anticipation Notes: Securities as defined in Section 133.082 of the Ohio Revised Code issued by Cuyahoga County in anticipation of the collection of current year delinquent taxes provided the following apply:

    a. The collection of current year delinquent taxes is pledged as security for repayment of the notes;

    b. The proceeds of the sale of the Delinquent Tax Collection Anticipation Notes shall be used to advance the collection of current delinquent taxes to taxing units in Cuyahoga County.

<u>Portfolio Diversification</u>

The portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of investment. The maximum percentage of the total average portfolio permitted in each eligible investment is as follows:

Permitted Investment	Sector Limit	Issuer Limit
A. U.S. Treasury Obligations	100%	100%
B. Federal Agency (Fixed Rate)	100%	40%
C. Federal Agency (Callable)	70%	
D. * Repurchase Agreements	50%	25% or $150 million, whichever is less
E. Commercial Paper and Bankers' Acceptances combined	40%	5%
F. Certificates of Deposit	50%	10%
G. * Bank Deposits (excluding CDs)	100%	100%
H. Municipal Obligations	20%	5%
I. * STAR Ohio	100%	100%
J. * Money Market Mutual Funds	75%	25%
K. Corporate Notes	15%	5%
L. Foreign Notes	2%	2%

M. Delinquent Tax Collection Anticipation Notes	15%	5%

For purposes of this Policy, the County's total average portfolio will be equal to the average investable balance for the 12-month period ending one month prior to the current month. For the following cash equivalent investments, indicated by an * (Overnight Repurchase Agreements, Bank Deposits (excluding CDs), STAR Ohio, and Money Market Mutual Funds), the total average portfolio will be equal to the prior day's portfolio market value.

Maximum Maturity

Maintenance of adequate liquidity to meet the cash flow needs of the County is essential. Accordingly, the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of the County in order to avoid the forced sale of securities prior to maturity.

For purposes of this investment policy, assets of the County shall be segregated into two categories based on expected liquidity needs and purposes — Cash & Equivalents Portfolio, and the Core Portfolio. The Cash & Equivalents Portfolio will be used to meet the day-to-day liquidity needs and obligations of the County, while Core Portfolio will be invested in permitted investments with a stated maturity not to exceed the maximum allowed by Ohio Revised Code Section 135. The purchase of any security with a maturity that exceeds the maximum allowed by Ohio Revised Code Section 135 must be approved in advance by the Investment Advisory Committee. To control the volatility of the long-term portfolio, the County Treasurer will determine a duration target for the portfolio, not to exceed three years.

Notwithstanding these limitations, in no case will the assets in either category be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds. These maturity limits shall not be construed to limit agreements made pursuant to the county's heritage home loan program to renew certificates of deposit linked to eligible loans having a maturity of up to ten years.

Prohibited Investments and Investment Practices

The County is expressly prohibited from the following investments and investment practices. This is not an exclusive list.

1. Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
2. Issuing taxable Tax or Current Revenue Anticipation Notes for the sole purpose of investing the proceeds;
3. Investment in reverse repurchase agreements;
4. Short sales (selling a specific security before it has been legally purchased);
5. Pair-offs (buying a security and selling it before the settlement date);
6. Speculative trading (repetitive buying and selling of the same or similar securities for the purpose of capital gains); and
7. Investment in securities commonly known as derivatives, structured notes, or trusts collateralized by Treasury obligations. A treasury inflation-protected security shall not be considered a derivative, provided the security matures not later than five years after purchase.

Monitoring and Adjusting the Portfolio

Those responsible for the day-to-day management of the County portfolio will routinely monitor the contents of the portfolio, as detailed in the Cuyahoga County Treasurer's Investment Procedures, the available markets and the relative values of competing instruments and will adjust the portfolio as necessary to meet the investment objectives listed above. It is recognized and understood that this non-speculative active management of portfolio holdings may cause a book loss on the sale of an owned investment. It is the policy of the County to charge any such loss against the interest income account during the month in which the loss was booked. Losses shall be allocated to the various funds based on the proportionate fund equity in the total portfolio based on the average daily balance during the month in which the sale occurred. Losses shall only be posted to those funds that can legally accept them.

Internal Controls

The County Treasurer shall establish and be responsible for monitoring a system of internal controls governing the administration and management of the County portfolio, and these controls shall be documented in writing. Such controls shall be designed to prevent and control losses of the County funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel. The internal controls will address: control of collusion, separation of duties, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, written confirmation of telephone transactions, minimizing the number of authorized investment officials and documentation of investment transactions.

The County Executive may periodically seek additional examinations of the investment program at its discretion. The County Treasurer at his or her discretion may contract with an independent firm to seek additional examinations of the County Investment Program.

Bank Selection and Review

The County shall select a depository bank and a custodial bank after issuing a request for proposals and evaluating the ability of proposing banks to provide necessary services, adequacy of capital or net worth of the financial institutions as well as pricing for individual services. The depository shall provide collateral for the County deposits in accordance with requirements for public funds deposits in Ohio. No public deposit shall be made except in a qualified public depository as established by state laws. The selected depository and custodial banks shall provide updated financial information to the County on an as requested basis and, at least, annually.

Eligible Banks and Broker/Dealers

The Investment Advisor selected by the Investment Advisory Committee will establish and maintain a list of eligible brokers, dealers, and banks with which investment transactions can be made. All financial institutions interested in transacting securities trades with the County are required to request from the Investment Advisor and complete a "Broker/Dealer Request for Information." These financial institutions must meet all requirements set by Securities and Exchange Commission Rule 15C3-1. Qualified firms will include "primary" dealers and other dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule.) Cuyahoga County is committed to providing opportunities for all qualified brokers/dealers.

To the greatest extent feasible within the bounds of fiduciary prudence, it is the policy of Cuyahoga County to remove any barriers to the full participation of all qualified firms in investment transactions. The Investment advisor's outreach efforts toward equity will include both a local and national search for qualified firms.

Written procedures maintained by the County Treasurer and Investment Advisor will describe the selection process for eligible brokers, dealers, and banks. A list of approved investment brokers/dealers will be kept on file with the Treasurer.

Competitive Selection of Investment Instruments

It will be the policy of the County to transact all securities purchase/sales only with approved financial institutions through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers. The County will accept the offer which (a) has the highest rate of return within the maturity required; and (b) optimizes the investment objective of the overall portfolio. When selling a security, the County will select the bid that generates the highest sale price. If there is a tie bid between one or more brokers, the County Treasurer will award the winning bid to the brokers on a rotating basis.

It will be the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited, rate quoted, description of the security, investment selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale will be included in this record.

Primary fixed price Federal Agency offerings may be purchased from the list of qualified broker/dealers without competitive solicitation. However, before purchasing any primary fixed price agency offering, the County Treasurer will evaluate the appropriateness of the offering as it relates to comparable investments. If it is determined that agency obligations meeting the County's requirements are available in the secondary market at a higher yield, then the outstanding obligation shall be purchased following competitive bidding procedures.

In making investment decisions, all other things being equal and subject to compliance with any applicable Internal Revenue Code requirements for bond proceeds, investment in corporations and financial institutions doing business in the State of Ohio will be given preference over other investment options.

Investment of Bond Proceeds

The resolutions providing for the payment of presently outstanding debt of the County impose certain restrictions on the investment of funds pledged to the payment of principal, interest and other costs associated with the bonds. Those funds established by the provisions of the bond resolutions will be managed in accordance with the terms and conditions of the bond covenants if those requirements are more restrictive than this investment policy.

The County intends to comply with all applicable sections of the Internal Revenue Code of 1986, Arbitrage Rebate Regulations and bond covenants with regard to the investment of bond proceeds.

Safekeeping and Custody

All investment securities purchased by the County or held as collateral on either deposits or investments shall be held in third-party safekeeping at a financial institution (to be designated as the “Custodian”) qualified to act in this capacity. All securities held for the County account will be held free and clear of any lien and all transactions will be conducted on a delivery-vs.-payment basis. All purchases and sales will be transacted on a cash, regular (next day) or “skip-day” settlement basis. The Custodian shall issue a safekeeping receipt to the County listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the custodian will also provide reports which list all securities held for the County, the book value of holdings and the market value as of month-end.

Appropriate County officials and representatives of the Custodian responsible for, or in any manner involved with, the safekeeping and custody process of the County shall be bonded to such a degree as to protect the County against losses from malfeasance and misfeasance.

Performance Standards

The investment portfolio shall be designed and managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the County. The Cash & Equivalents Portfolio will be compared to the return on the three-month U. S. Treasury Bill and an institutional money market mutual fund with comparable investment restrictions. The Core Portfolio will be compared to an index of U. S. Treasury securities having a similar duration or other appropriate benchmark.

Reporting

The County Treasurer shall maintain accurate, complete, and timely records of all investment activities. Within ten (10) business days of the end of the month, the County Treasurer shall submit an investment report to the Investment Advisory Committee and the Working Group of the Investment Advisory Committee each month. This report shall include: (i) a listing of the existing portfolio in terms of investment securities, amortized book value, maturity date, return, market value and other features deemed relevant and (ii) a listing of all transactions executed during the month. The market values presented in these reports will be consistent with accounting guidelines in GASB Statement 31 pertaining to the valuation of investments and the treatment of unrealized gains/losses. The report will also include a statement that the investment of the County portfolio is in compliance with this Policy and any applicable bond resolutions.

The County Treasurer shall also prepare quarterly and annual reports in sufficient detail to provide full disclosure of all investment activities to the Investment Advisory Committee.

Investment Policy Adoption

This policy was originally adopted on the January 19, 1999.

This version is effective as of April 30, 2021.

Approved by the Investment Advisory Committee:

Cuyahoga County Executive, Armond Budish

Cuyahoga County Council Member, Jack Schron

Cuyahoga County Treasurer, W. Christopher Murray II

GLOSSARY OF TERMS

Amortized Book Value: The recorded amount of a security, adjusted for any applicable amortization of premium or discount. Eventually, once all amortization has been recorded, the amortized value of a security will equal its face value.

Arbitrage Rebate Regulations: The Internal Revenue Code of 1986 requires that certain earnings on investments of tax-exempt bond proceeds be paid to the United States. The amount that must be rebated is based on the difference between the amount actually earned on investments and the amount that would have been earned if those investments had a yield equal to the yield on the issue.

Bankers' Acceptances: Time drafts that a business can order from the bank. The financial institution promises to pay the exporting firm a specific amount on a specific date, at which time it recoups its money by debiting the borrower's account. A banker's acceptance, or BA, works much like a post-dated check, which is simply an order for a bank to pay a specified party at a later date. The holder may choose to sell the BA for a discounted price on a secondary market, giving investors a relatively safe, short-term investment.

Bid: An offer made by an investor, a trader or a dealer to buy a security.

Bond Covenants: A legally binding term of an agreement between a bond issuer and a bond holder. Bond covenants are designed to protect the interests of both parties. Negative or restrictive covenants forbid the issuer from undertaking certain activities; positive or affirmative covenants require the issuer to meet specific requirements.

Broker: A firm that arranges transactions between a buyer and a seller for a commission when the deal is executed.

Broker-Dealer: A person or firm in the business of buying and selling securities, operating as both a broker and a dealer, depending on the transaction. A brokerage acts as a broker (or agent) when it executes orders on behalf of clients, whereas it acts as a dealer (or principal) when it trades for its own account.

Commercial Paper: An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Corporate Notes: Debt obligations issued by private or public corporations with maturities ranging from 9 months to 30 years.

Credit Risk: Potential that a borrower or counterparty will fail to fulfill an obligation.

Custodial Bank: A firm that holds securities and other assets in electronic or physical form for safekeeping so as to minimize the risk of their theft or loss.

Dealer: A firm in the business of buying and selling securities for their own account. A dealer is defined by the fact that it acts as principal in trading for its own account, as opposed to a broker who acts as an agent in executing orders on behalf of its clients.

Delivery versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities with a simultaneous exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Depository Bank: A for-profit or non-profit financial organization that takes money from clients and places it in any of a variety of deposit or investment vehicles for the benefit of both the client and the organization.

Derivatives: A contract between two or more parties whose value is based on an agreed-upon underlying financial asset, index or security such as bonds, commodities, currencies, interest rates, market indexes and stocks.

Duration: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Federal Government Agency: An administrative division within the federal government that serves a specifically assigned purpose across the legislative, judicial and executive branches of the government. A type of Government Sponsored Enterprise (GSE.)

Financial Industry Regulatory Authority (FINRA): A self-regulatory organization under the Securities Exchange Act of 1934, which is responsible for regulatory oversight of all securities firms that do business with the public.

Foreign Notes: A debt security issued by a national government denominated in a foreign currency or U.S. dollars.

GASB Statement 31: Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments in the United States. GASB Statement 31 provides: Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Government Sponsored Enterprise (GSE): A financial services corporation created by the United States Congress. Their intended function is to enhance the flow of credit to targeted sectors of the economy and to make those segments of the capital market more efficient and transparent, and to reduce the risk to investors and other suppliers of capital.

Institutional Money Market Mutual Fund: High minimum investment, low expense share classes of Money Market Funds which are marketed to corporations, governments, or fiduciaries.

Instrumentality: An organization that serves a public purpose and is closely tied to a federal and/or state government but is not a government agency. Many instrumentalities are private companies, and some are chartered directly by state or federal government.

Investment Adviser's Act of 1940: Legislation passed by Congress in 1940 that requires all investment advisers to register with the Securities and Exchange Commission. The Act is designed to protect the public from fraud or misrepresentation by investment advisers.

Long-Term Credit Rating: Probability factor of a security issuer going into default over a long timeframe.

Market Price: Current market price of a security.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market Fund: An investment whose objective is to earn interest for shareholders while maintaining a net asset value (NAV) of $1 per share. A money market fund's portfolio is comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments.

Municipal Obligations: A form of debt obligation issued by states, provinces, cities or towns, typically used to fund municipal and local projects.

Nationally Recognized Statistical Rating Organizations (NRSRO): Firms that provide credit ratings used by the U.S. government in several regulatory areas.

Negative Credit Watch: A status that the credit-rating agencies (Standard and Poor's, Moody's and Fitch) give a company while they are deciding whether to lower that company's credit rating. Once a company has been placed on negative watch, it has a 50% chance of its rating being lowered in the next three months.

Net Assets: The total assets of a business minus its total liabilities.

Offer: The price at which a seller is willing to sell a security.

No-Load: A mutual fund which does not levy a sales charge on the purchase of its shares. Transaction fees will still apply.

Open-End: A type of mutual fund that does not have restrictions on the amount of shares the fund will issue. If demand is high enough, the fund will continue to issue shares no matter how many investors there are. Open-end funds also buy back shares when investors wish to sell.

Perfected First Security Interest: Security interest in an asset protected from claims by other parties. A lien is perfected by registering it with appropriate statutory authority so that it is made legally enforceable and any subsequent claim on that asset is given a junior status. Also called perfected lien

Portfolio: Collection of securities held by an investor.

Primary Fixed Price Federal Agency Offerings: Initial offerings of debt by Government Sponsored Enterprises (GSEs). Typically sold at par.

Primary Government Securities Dealers: A firm that buys government securities directly from a government, with the intention of reselling them to others, thus acting as a market maker of government securities. In the United States, primary dealers are designated by the Federal Reserve Bank of New York. These dealers must meet certain liquidity and quality requirements as well as provide a valuable flow of information to the Fed about the state of the worldwide markets.

Short Term Rating: Probability factor of an issuer of debt going into default within a year.

"Skip-Day" Settlement Basis: A situation where the settlement for a trade occurs one business day after the original or usual settlement date.

Structured Notes: A debt obligation that also contains an embedded derivative component with characteristics that adjust the security's risk/return profile. The return performance of a structured note will track that of the underlying debt obligation and the derivative embedded within it.

Tax or Current Revenue Anticipation Notes: Short-term note sold by a municipal issuer as interim financing in anticipation of tax and other revenue.

Third-Party Safekeeping: A custodial arrangement where investment securities are held by a firm that is not otherwise a party to the transaction (i.e. broker, dealer, portfolio manager) or affiliated with a party to the transaction.

Uniform Commercial Code (UCC): A standard set of business laws that regulate financial contracts.

Yield: The rate of annual income returns on an investment, expressed as a percentage.