

The City of Oklahoma City, Oklahoma

INVESTMENT POLICY
for the Operating Funds and
General Obligation Bond Proceeds
of the City of Oklahoma City

Effective November 9, 2021

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INVESTMENT POLICY
for the Operating Funds and General
Obligation Bond Proceeds of the City
of Oklahoma City
November 9, 2021

I. Policy

It is the policy of the City of Oklahoma City and the duty of the City Treasurer to invest the public funds in the custody of the City Treasurer to provide the highest investment return consistent with maximum security while meeting the daily cash flow demands of the City in conformance with the constitution and laws of the State of Oklahoma and the Charter of the City of Oklahoma City. In order to further ensure that these policy goals are accomplished, the City Council may hire independent professional investment consultants to advise the Council and the Treasurer.

II. Scope

This Policy applies to the operating funds and General Obligation Bond funds of the City of Oklahoma City not contained in public trusts. This policy will also apply to any future funds that are needed to meet the City's financial and accountability needs and are in the custody of the City Treasurer.

Certain public trusts have formally adopted the City's deposit and investment policies as a whole and the City Treasurer has been delegated the authority for managing the deposits and unrestricted investments of these trusts as reported in the City of Oklahoma City's Annual Financial Report. They are as follows:

Oklahoma City Public Property Authority (OCPPA)
Oklahoma City Municipal Facilities Authority (OCMFA)
Oklahoma City Economic Development Trust (OCEDT)
Oklahoma City Riverfront Redevelopment Authority (OCRRA)

III. Standard of Care

The standard of care to be used by the City Treasurer shall be the statutory "prudent person" standard and shall be applied in the context of managing the public operating funds of the City described within this Policy. The "prudent person" standard as it relates to the investing of public funds is defined as follows:

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.¹

¹ See Attachment 1, 62 O.S. § 348.3(C)

The standard of care to be used by independent professional investment consultants to the City shall be the “prudent expert” standard as follows:

Funds shall be managed with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

IV. Ethics and Conflicts of Interest

Any officers or employees of the City of Oklahoma City, or independent professional investment consultants to the City, involved in the investment process shall refrain from personal business activity that could conflict or give the appearance of conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions and shall annually advise the City Manager or City Manager designee of any personal financial interest in any financial institution that conducts business with the City of Oklahoma City. The officers, employees and/or professional consultants shall refrain from undertaking personal investment transactions with the same individual or broker/dealer office with which business is conducted on behalf of the City of Oklahoma City.

V. Objectives

The City Treasurer and independent professional investment consultants will follow three major, prioritized objectives in investing the operating and General Obligation Bond funds:

- 1. Safety** - Safety of principal is the foremost objective of the City's investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital of the portfolio. This objective will be to minimize credit risk and interest rate risk.
- 2. Liquidity** - The investment portfolio shall at all times be sufficiently liquid to enable the City to meet all operating cash flow needs that are reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
- 3. Return on Investments** - The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints, liquidity needs and cash flow characteristics of the portfolio. Return shall be subordinate to safety and liquidity.

VI. Banking Authority

In accordance with the City Charter, the City Treasurer shall have the custody of the funds of the City. Pursuant to this responsibility the Treasurer and Assistant Treasurers are responsible for managing banking relationships, including but not limited to, deploying demand deposit accounts, and accounts for the investment or safekeeping of funds of the City or trusts that

approve this policy.

No public deposit of funds shall be made except in a qualified public depository authorized to do business in the State of Oklahoma. The City Council shall approve and designate a list of authorized depository institutions by resolution.

Funds may be invested in certificates of deposit (CDs) in institutions which have been approved by the City Council as depository banking institutions; which meet competitive bidding and diversification requirements discussed in this policy; and which meet the following requirements:

1. sufficient collateral to equal the amount of 110 percent of the CD principal shall be pledged prior to the deposit of the funds and for the terms of the CD, in accordance with this policy;
2. consideration of the bank's financial strength provided by commercially available bank rating services, such as Highline Banking Data Services or Veribanc. Financial strength can be determined by the bank's institutional rating on performance evaluations conducted pursuant to the federal Community Reinvestment Act, 12 United States Code, Section 2901.;
3. collateral agreements must be approved prior to deposit of the funds as provided for in the "Security for Local Public Deposits Act".²

VII. Delegation and Restriction of Authority

The ultimate authority for the investment of surplus funds of the City is granted by the City Charter³ and Oklahoma State statutes⁴ to the City Treasurer. The Oklahoma City Municipal Code⁵ authorizes the City Manager to appoint Assistant City Treasurers to assist with the functions of the City Treasurer and perform the duties of the City Treasurer in the absence or incapacity of the Treasurer. In accordance with these provisions, the City Treasurer or Assistant City Treasurers will authorize all purchases, sales and trades of investments in accordance with the scope, objectives and covenants of this Policy and including those recommended by any independent professional investment consultants hired by the City. The City Treasury personnel involved in the investment process shall act responsibly as custodians of public funds. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls and procedures to regulate the activities of assistants and any independent professional investment consultants.

The City Treasury personnel, who have authority to invest public funds, make wire transfers or who have signatory authority for depository accounts shall be required to be bonded in accordance with the Oklahoma City Municipal Code.⁶ All investment transactions will be reviewed by the City Treasurer and/or a designee of the City Manager's Office.

² See Attachment 5, 62 O.S. § 517.1 *et seq.*

³ See Attachment 2, Charter of Oklahoma City, Art. IV, § 13

⁴ See Attachment 1, 62 O.S. § 348.1; 62 O.S. § 348.3

⁵ See Attachment 3, Oklahoma City Municipal Code § 2-232

⁶ See Attachment 4, Oklahoma City Municipal Code § 2-233

VIII. Financial Dealers

Any financial dealer and institution who desires to become an approved broker/dealer for investment transactions shall respond to a broker/dealer services solicitation questionnaire and certification approved by the City Treasurer. An evaluation committee and/or the City Treasurer or City Treasurer designee and/or the City's independent professional investment consultant shall review the responses to the solicitation and questionnaire. Based upon the evaluation, the City Treasurer and/or independent professional investment consultant will recommend a listing of eligible broker/dealer institutions to the City Council. By resolution of the Council, an eligible listing of broker/dealers shall be established for the purchase and sale of investment securities and further resolved that all prior resolutions establishing broker/dealers be rescinded. A list of broker/dealers will be established and approved at least annually.

The City Treasurer shall maintain a list of security broker/dealers approved by the City Council who is authorized to provide investment services for the City and registered to do business within the state. The approved broker/dealers may include a combination of primary, regional, and local dealers that qualify under the Securities and Exchange Commission Rule 15C3-1.

A current audited financial statement shall be on file for each eligible broker/dealer with whom the City transacts investment services.

IX. Authorized and Suitable Investments

Investments of the City's operating and General Obligation Bond funds will be limited to those investment types authorized by the City Charter. The Charter provides for the investment of public funds in the custody of the City Treasurer only in such securities or instruments as are provided by the Constitution and the laws of the State of Oklahoma for the investment of municipal funds.

The City can invest in securities authorized by state statutes.⁷ This Policy may be more restrictive than that allowed by state statute. The securities authorized by the approval of this policy shall be:

1. direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or investment grade obligations of this state; provided, that any such security shall be rated A+ or better by Standard and Poor's Corporation or A1 or better by Moody's Investor Service or an equivalent investment grade by a securities ratings organization accepted by the National Association of Insurance Commissioners including investment grade obligations of state agencies;
2. Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises;

⁷ See Attachment 1, 62 O.S. § 348.1; 62 O.S. § 348.3

3. collateralized or insured certificates of deposit and other evidences of deposits at banks, savings banks, savings and loan associations and credit unions located in this state when secured by appropriate collateral or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
4. repurchase agreements that have underlying collateral of direct obligations or obligations of the United States government, its agencies and instrumentalities;
5. money market funds regulated by the Securities and Exchange Commission and which investments consist of the authorized investments and restrictions as specified in paragraphs one through six of 62 O.S. § 348.3.⁸ The money market fund portfolio must consist of domestic securities. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by at least one nationally recognized statistical-rating organization or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$500,000,000;
6. savings accounts or savings certificates of savings and loan associations, banks, and credit unions, to the extent that the accounts are fully insured by the Federal Deposit Insurance Corporation.
7. State and Local Government Series (SLGS).⁹
8. County, municipal or school district direct debt obligation for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgements against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof.¹⁰
9. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Prime rating means only commercial paper of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization. Purchases of prime commercial paper shall not exceed seven and one-half percent (7 1/2%) of the surplus funds of the City which may be invested pursuant to this section. Additionally, purchases shall not include asset-backed commercial paper.

Repurchase agreements will only be entered into upon the execution of an approved master repurchase agreement between the City and appropriate financial institutions. Such master repurchase agreements will provide, among other things, for the delivery of securities to either the City or an approved third-party safekeeping organization. The securities will be limited to those types approved for the investment of City funds. Market value of the

⁸ See Attachment 1, 62 O.S. § 348.3(B)(7)

⁹ See, eg., 31 C.F.R. § 344 and 344.1

¹⁰ See Attachment 1, 62 O.S. § 348.1(5)

securities will equal at least 102% of the amount of the repurchase agreement at the time of execution of the agreement. The City Treasurer may require a higher margin ratio, depending on the amount of time until the completion of the repurchase transaction or the nature of the securities involved. Substitution of securities during the term of repurchase agreements will be allowed from time to time, if each substitution meets the requirements of the statutory law and this policy.

Before the selection of a money market mutual fund as an investment option, a thorough investigation of the fund will be required prior to any investment. The City Treasurer must evaluate various factors, including but not limited to: the fund's prospectus and statements of additional information to determine the integrity and experience of the investment company offering the fund; sale fees and operation of expenses; fundamental portfolio policies composition and objectives; investment income calculations and policy on distribution to participants; how gains and losses are treated; evaluation of how securities are safeguarded; frequency of security pricing and auditing; limitations as to size and frequency of purchasing and selling; schedule for receiving statement and composition of the portfolio for the fund; and compliance and registration with the Investment Company Act of 1940 and Rule 2a-7 of the Investment Company Act.¹¹

The following types of investments are not authorized under the terms of this policy:

1. reverse repurchase agreement
2. derivative instruments which are created from, whose value depends on or is derived from, the value of one or more underlying assets or indexes of asset values and/or has no call options prior to the City's desired maturity or is a variable rate instrument.

X. Collateralization

All uninsured deposits, certificates of deposits and repurchase agreements must be collateralized in accordance with this policy.

In all cases of collateralization excluding letters of credit, the collateral shall be held by a third-party custodian with whom the City has a current custodial agreement or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma as evidenced by a pledge of joint custody. The custodian shall issue a custody receipt to the City Treasurer identifying the security and stating that it is pledged to the City of Oklahoma City.

In cases of collateralization with letters of credit¹², each letter of credit shall comply with Oklahoma Administrative Code Section 735:20-1-10 and be in a format acceptable to the Oklahoma State Treasurer and the City. Such letters of credit must be unconditional, standby letters of credit which designate the public entity as the irrevocable and unconditional beneficiary of the letter of credit.

The amount of collateral to be pledged for the security of the City's deposits and securities shall be consistent with the provisions of the "Security for Local Public Deposits Act"¹³ and

¹¹ See Attachment 6, Glossary of Terms

¹² See Attachment 6, Oklahoma Administrative Code Section 735:20-1-10

¹³ See Attachment 5, 62 O.S. § 517.1 *et seq.*

additional standards established by the City Treasurer for the purpose of securing public funds and deposits of the City.

Collateralization shall be required as follows:

	Level when collateral is not Letters of Credit	Level when collateral is Letters of Credit
1. uninsured cash in demand deposit account	110%	100%
2. certificate of deposits	110%	100%
3. repurchase agreements	102%	-

Acceptable instruments for collateralization of uninsured cash, certificates of deposits and repurchase agreements are listed below. This listing is more restrictive than the state statute. In cases in which instruments may be authorized by state statute but not by the list below, this list shall prevail.

Acceptable collateral of uninsured cash in demand deposit accounts and certificates of deposit:

- (a) obligations, including letters of credit of the United States Government, its agencies or instrumentalities;
- (b) Federal Agency of United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises and including Federal Home Loan Bank letters of credit;

Acceptable collateral for repurchase agreements:

- (a) United States Treasury Bills, Notes, Bonds or Treasury Certificates;
- (b) Government National Mortgage Association obligations;
- (c) Federal National Mortgage Association obligations;
- (d) Federal Home Loan Mortgage Corporation obligations;
- (e) Federal Farm Credit Bank obligations;
- (f) Federal Home Loan Bank obligations; provided

The City Treasurer shall verify as appropriate and at least quarterly, that the market value of collateral pledged is sufficient to cover the security and any additional deposits at the institution. The City Treasurer shall have discretion to refuse any instrument as appropriate collateral, notwithstanding the tenets of this Policy.

Acceptable collateral will be subject to a recognized and readily available market pricing.

XI. Safekeeping and Custody

All investment securities purchased (except for SLGS and judgments), including collateral for repurchase agreements, shall be held in safekeeping at a designated third party custodian. The institution shall issue a safekeeping receipt for each security, listing the specific instrument, par value, rate, CUSIP and any other pertinent information. In addition, the safekeeping

institutions shall send a statement on at least a monthly basis listing all securities held in each safekeeping account with market values that shall be verified.

XII. Delivery vs. Payment (DVP)

Written delivery instructions are provided to approved broker/dealers. All security transactions should be accomplished on a delivery versus payment (DVP) basis. Securities being purchased shall be delivered to the City's designated safekeeping agent, in the name of City, before payment is released. The City Treasurer, or independent professional investment consultants, will provide written notification to the safekeeping agent of the expected delivery of securities with all specific information. The safekeeping agent will then forward an original written confirmation of the security by an acceptable means of delivery to the City Treasurer.

A subscription to purchase SLGS will be submitted to and approved by the Bureau of the Public Debt, Division of Special Investments. The Fedwire Funds Transfer System must submit full payment for each approved SLGS subscription with credit directed to the Treasury's General Account. SLGS securities are issued in book-entry form on the books of the United States Treasury, Bureau of the Public Debt and are nonmarketable. Transfer of securities by sale, exchange, assignment, pledge or otherwise is not permitted.

XIII. Maturities and Diversification

To the extent practicable, the City Treasurer will attempt to match investments with anticipated cash flows. Investments will be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer or an individual class of securities. Unless matched to a specific cash flow, investments will not be made in securities maturing more than five (5) years from the date of purchase. The cumulative amount of money from all portfolios managed by the City Treasurer and invested in any given financial institution shall not exceed 5% of such institution's total assets as reported on the June 30th preceding the placement of the investment (excluding U.S. Government securities and those issued by government sponsored enterprises, SLGS and judgments). Further, the City Treasurer shall not place more than 5% of the total portfolio for any individual portfolio with any single financial institution (excluding U.S. Government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, judgments and repurchase agreements).

Certificates of deposit shall not be purchased with maturities greater than 365 days from the date of purchase. Portfolio maturity and investment type limitations shall be evaluated as investment securities are purchased. Except in cases of specifically matched cash flows for debt service payments and payroll, to comply with yield restrictions and arbitrage rebate provisions of the Internal Revenue Code and United States Treasury regulations, or other cash flow considerations as determined by the City Treasurer, the portfolio will be structured within the following guidelines:

Maturity Limitations
Percentage of Total Invested Principal

	<u>Maximum %</u>	<u>Minimum %</u>
0 - 1 Year	100%	5-25%
1 - 3 Years	90%	0%
3 - 5 Years	90%	0%

Investment Type Limitations
Percentage of Total Invested Principal

	<u>Maximum %</u>	<u>Minimum %</u>
Repurchase agreements	100.0%	0%
U.S. Treasury securities ¹⁴	100.0%	0%
Certificates of deposit	50.0%	0%
Money market funds	100.0%	0%
Savings account	100.0%	0%
U.S. non-callable agencies securities	100.0%	0%
U.S. callable agencies securities	20.0%	0%
Prime commercial paper	7.5%	0%
Direct debt obligations	5.0%	0%

The City Treasurer may collateralize its surplus cash, certificates of deposit and repurchase agreements using longer-dated securities provided such maturity dates do not exceed ten (10) years.

XIV. Internal Controls

The designee of the City Manager shall establish a system of internal controls to ensure the integrity of the investment process and compliance with this Policy. An independent auditing firm as part of the City's annual financial audit will review the internal controls. Additionally, the Office of the City Auditor will consider a review of the internal controls during development of the audit plan. The controls shall be designed to prevent loss of public funds because of fraud, error, misrepresentation or imprudent actions by any employee, officer and/or independent investment consultant of the City.

XV. Investment Committee

The Finance Director shall have the authority to originate an investment committee composed of a designee of the Finance Director and/or designee of the City Manager, City Treasurer and a City Treasurer designee and/or independent professional investment consultant. The investment committee shall meet periodically and as deemed necessary to review and discuss the portfolio strategy and evaluate the future position of the portfolio. The

¹⁴ Includes SLGS

Finance Director shall have the option of appointing the City Treasurer and/or a designee of the City Treasurer and/or an independent professional investment consultant to review the portfolio strategy and evaluate the future position of the portfolio in lieu of an investment committee.

XVI. Investment Procedures

The investment committee or City Treasurer and/or City Treasurer designee may develop and maintain the detailed operational procedures for the investing functions of the City as described within this Policy.

XVII. Record Keeping and Reporting

All investment transactions will be posted to the City's general ledger accounting system. Records of the City Treasurer and Accounting Services shall be reconciled on at least a monthly basis. The City Treasurer will reconcile at least semi-annually the confirmations in the custody to the safekeeping statements submitted by the safekeeping institutions. Each safekeeping institution is under contractual agreement to provide such services. Records will be maintained in an appropriate investment tracking software.

The City Treasurer, with or without the assistance of an independent professional investment consultant, shall submit a quarterly investment report to Mayor and Council within 45 days of the end of the quarter. The report will summarize the characteristics of the portfolios to include types of securities, amortized earnings for the quarter and year-to-date, yields for the quarter and year-to-date, days to maturity, and other characteristics as appropriate. The report will include comments as appropriate on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure, future investment strategies and target to actual investment income progress.

According to the General Accounting Standards Board Statement Number 40, Paragraph 8, deposits with financial institutions, investments (including repurchase agreements and reverse repurchase agreements), are exposed to credit risk if they are not covered by depository insurance and they are:

- a. uncollateralized,
- b. collateralized with securities held by the pledging financial institution, or
- c. collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments hereunder shall be held in accordance with category (a) or (b) below, insofar as compatible with applicable law:

- a. insured or registered, or securities held by the City or its agent in the City's name;
- b. uninsured and unregistered, with securities held by the counter party's (the

seller's) trust department or agent in the entity's name;

The City Treasurer shall arrange safekeeping procedures so that investments fall into category (a) whenever possible.

XVIII. Interest Earnings

The City distributes interest earnings from each of the respective portfolios on a monthly basis. The participating funds that receive an interest distribution are decided by the administrative policy of the City Manager within applicable statutes, City ordinances, legal opinions and bond indentures. The interest distribution for the participating funds is based on their respective month-end equity positions.

XIX. Competitive Selection of Investment Instruments

Before investments of surplus funds are placed, a competitive "bid" process (consisting of quoted interest or yield rates, dollar prices, or discount rates) shall be conducted. Certificates of deposit will be bid among City Council approved depository banking institutions, while other investment securities will be bid among broker/dealers approved by the City Council (excluding SLGS). Bids will be secured from at least three institutions. Bidders are required to bid a firm price or yield, which will remain effective for a reasonable period of time (approximately 15 minutes or less), given market fluctuations, to allow further bids to be received. Typically, awards will be made to the bidder offering the highest effective yield consistent with this Policy; however, transaction costs, diversification requirements, extraordinary events and other factors may be considered by the City Treasurer when awarding investments.

XX. Performance Standards

The investment strategy employed by the City Treasurer, with or without the assistance of an independent professional investment consultant, for the City's portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles. Obtaining a market rate of return shall be commensurate with the investment risk constraints, the cash flow needs of the City, and compliance with yield restrictions and arbitrage rebate provisions of the Internal Revenue Code and United States Treasury regulations. The City's performance benchmarks differ, depending on the type of funds invested, and shall be based on an agreed upon indexed benchmark and/or a customized benchmark.

XXI. General Obligation Bond Fund Proceeds

General obligation bond fund proceeds shall be invested pursuant to applicable laws, relevant bond indenture requirements and relevant tenets of this policy. Proceeds from tax-exempt general obligation bonds shall be invested, recorded and reported in the manner set forth by the U.S. Treasury and Internal Revenue Service to preserve the tax-exempt status of the bonds. The Finance Department will maintain systems to ensure that these requirements are met.

XXII. Advance Refunding Escrows

Advance refunding general obligation bond proceeds will be competitively bid to create a refunding escrow account that will produce savings and is structured efficiently to meet the debt service requirements of the refunded issue or issues. The proceeds will be invested pursuant to applicable laws, relevant bond indenture requirements and relevant tenets of this policy. The Finance Department will perform the administrative oversight of the designated financial advisor or escrow agent as to the structure and yield of the escrow and to insure that the tax-exempt status of the bond issue is preserved.

To ensure compliance with the Internal Revenue Service regulations, the escrow securities shall be purchased at fair market value and all fees paid to any parties associated with the investment of the escrow securities disclosed to the City. The market value and any "mark- up" of the securities purchased by the City shall be disclosed by the investment broker selling the securities and approved by the City. All fees, securities prices and any "mark-ups" shall be disclosed in the investment agreements and approved by the City Council.

XXIII. Certification

A copy of this policy will be provided upon request to the senior management of any financial institution who is approved to transact business with the City in order that it is apprised of the policies of the City. The certification¹⁵ must be signed and executed by a senior member of the financial institution before any business is conducted.

XXIV. Investment Policy Adoption

This policy may be adopted or amended only by the resolution of the City Council of the City of Oklahoma City.

The City shall annually review the Investment Policy regarding the investment of its funds and funds under its control.

¹⁵ See Attachment 8, Certification

ATTACHMENT 1

62 O.S. § 348.1

§ 348.1. Authorized investments--Disposition of income

- A. Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer in:
1. Direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or investment grade obligations of this state; provided, that any such security shall be rated A+ or better by Standard and Poor's Corporation or A1 or better by Moody's Investor Service or an equivalent investment grade by a securities ratings organization accepted by the National Association of Insurance Commissioners including investment grade obligations of state agencies;
 2. Collateralized or insured certificates of deposits of savings and loan associations, banks, savings banks and credit unions located in this state, when the certificates of deposit are secured by acceptable collateral as provided by law, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
 3. Savings accounts or savings certificates of savings and loan associations, banks, and credit unions, to the extent that the accounts or certificates are fully insured by the Federal Deposit Insurance Corporation;
 4. Investments as authorized by Section 348.3 of this title which are fully collateralized in investments specified in paragraphs 1 through 3 of this section, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes; or
 5. County, municipal or school district direct debt obligation for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value. The income received from that investment may be placed in the general fund of the governmental subdivision to be used for general governmental operations, the sinking fund, the building fund, or the fund from which the investment was made.
- B. The provisions of this section shall not apply to investments made by organizations of

ATTACHMENT 1
(continued)

municipalities created for the purpose of securing benefits and services relating to insurance for Oklahoma municipalities or other political subdivisions.

Laws 1943, HB 79, p. 144, § 1, eff. February 26, 1943; Amended by Laws 1955, HB 574, p. 347, § 1, eff. February 8, 1955; Amended by Laws 1955, HB 810, p. 347, § 1, eff. May 23, 1955; Amended by Laws 1963, HB 824, c. 49, § 1, eff. May 2, 1963; Amended by Laws 1967, HB 892, c. 356, § 1, eff. May 18, 1967; Amended by Laws 1970, HB 1701, c. 310, § 1, eff. April 23, 1970; Amended by Laws 1971, HB 1335, c. 69, § 1, eff. April 12, 1971; Amended by Laws 1974, HB 1223, c. 120, § 1, eff. May 1, 1974; Amended by Laws 1983, HB 1350, c. 141, § 1, eff. May 23, 1983; Amended by Laws 1984, HB 1458, c. 12, § 1, eff. November 1, 1984; Amended by Laws 1988, SB 537, c. 319, § 13, eff. September 30, 1988; Amended by Laws 1991, HB 1549, c. 124, § 20, eff. July 1, 1991; Amended by Laws 1992, HB 2101, c. 211, § 10, eff. July 1, 1992; Amended by Laws 1999, HB 1251, c. 327, § 3, eff. July 1, 1999; Amended by Laws 2013, SB 738, c. 51, § 1, eff. November 1, 2013; Amended by Laws 2014, SB 1511, c. 43, § 1, eff. November 1, 2014; Amended by Laws 2021, SB 281, c. 172, § 1, eff. November 1, 2021

62 O.S. § 348.3

§ 348.3. Cities and counties--Written investment policies--Authorized investments

- A. In addition to the investments authorized by Section 348.1 of this title, the governing body of a city or of a county may adopt a written investment policy directing the Investment of the funds of the city or county and any of its public trusts or authorities. If such a policy is adopted by the governing body, such funds shall be invested pursuant to the provisions of the policy. The written policy shall address liquidity, diversification, safety of principal, yield, maturity and quality and capability of investment management, with primary emphasis on safety and liquidity. To the extent practicable, taking into account the need to use sound investment judgment, the written investment policies shall include provision for utilization of a system of competitive bidding in the investment of municipal funds. The system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.
- B. The written investment policy may authorize the city treasurer or county treasurer to purchase and invest in any or all of the following:
1. Obligations of the United States government, its agencies and instrumentalities, or investment grade obligations of this state; provided, that any such security shall be rated A+ or better by Standard and Poor's Corporation or A1 or better by Moody's Investor Service or an equivalent investment grade by a securities ratings organization accepted by the National Association of Insurance Commissioners including investment grade obligations of state agencies;
 2. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and

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(continued)

credit unions located out of state;

3. Negotiable certificates of deposit issued by a nationally or state chartered bank, a savings bank, a savings and loan association or a state licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph;
4. Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed two hundred seventy (270) days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section.

Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one commercial bank pursuant to this paragraph;

5. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and one-half percent (7 1/2%) of the surplus funds of the city or county which may be invested pursuant to this section;
 6. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 through 5 of this subsection; and
 7. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs 1 through 6 of this subsection.
- C. 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.

Laws 1987, c. 194, § 14, operative July 1, 1987; Laws 1991, c. 124, § 21, eff. July 1, 1991; Laws 1996, c. 49, § 1, eff. July 1, 1996; Laws 1996, c. 160, § 1, eff. July 1, 1996. Amended by Laws 1997, c. 132, § 1; Laws 2001, c. 43, § 1, eff. Nov. 1, 2001; Amended by Laws 2021, SB 281, c. 172, § 1, eff. November 1, 2021

ATTACHMENT 2

Charter of Oklahoma City

Article IV, § 13

Section 13. Duties of the City Treasurer. The City Treasurer shall have the custody of the funds of the City and shall pay out the same pursuant to an internal control structure adequate to provide reasonable assurance against unauthorized or illegal payments, which structure shall be established by law or ordinance. The treasurer shall invest the funds of the City only in such securities as are provided by the Constitution and laws of the State of Oklahoma for the investment of municipal funds, and such investments shall be made only upon the direction of the Council; and all uninvested funds shall be deposited in a bank or banks, which depository banks shall be approved and designated by the Council.

(Charter, 2-8-27; am. 4-2-57, am. 3-16-71, am. 3-15-94, am. 10-14-03)

ATTACHMENT 3

Oklahoma City Municipal Code § 2-232

§ 2-232. Assistant City Treasurer.

The City Manager is authorized to appoint a qualified person as Assistant City Treasurer, who shall assist the City Treasurer in the performance of the duties of his office, and for that purpose the Assistant City Treasurer is authorized and empowered to carry out the duties of the City Treasurer during the temporary absence or incapacity of the City Treasurer.

(Code 1970, § 2-66; Code 1980, § 2-152)

ATTACHMENT 4

Oklahoma City Municipal Code § 2-233

§ 2-233. Bond.

Before exercising his duties and powers, the person appointed as City Treasurer and the persons appointed as Assistant City Treasurers each shall furnish to the City their good and sufficient bonds, respectively, each in the penal amount of \$1,000,000.00 guaranteeing their respective faithful performance and discharge of their official duties. The bonds are to be executed by a corporate surety company or companies authorized to do business in the state. After approval by the City Council, the bonds shall be placed on file in the office of the City Clerk.

(Code 1970, § 2-67; Code 1980, § 2-153) Charter reference(s)--Surety bonds, Art. II, § 29.

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62 O.S. § 517.1 *et seq.*

§ 517.1. Short title

Sections 8 through 14 of this act shall be known and may be cited as the "Security for Local Public Deposits Act."

Added by Laws 2000, c. 136, § 8, eff. July 1, 2000.

62 O.S. § 517.2

§ 517.2. Definitions

As used in the Security for Local Public Deposits Act:

1. "Financial institution" means any bank, savings bank, savings and loan association or credit union; and
2. "Public entity" means any county, city, town or board of education of a public school district or vocational-technical school district or other governmental or public entity of a local nature which is required or permitted by law to collateralize its deposits.

Added by Laws 2000, c. 136, § 9, eff. July 1, 2000.

62 O.S. § 517.3

§ 517.3. Public deposits defined--Official depositories

- A. All public deposits made by a treasurer of a public entity in financial institutions shall be secured as provided for in the Security for Local Public Deposits Act. As used in this section, "public deposits" means all forms of demand deposits or time deposits, but shall not include other investments authorized by statute which are made by a treasurer of a public entity.
- B. The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office, in one or more financial institutions that have been designated as either state or county depositories, or both, and the acceptance of any such deposit from any such treasurer shall be tantamount to adoption, in relation thereto, of the same privileges and conditions, other than collateral security, as are now provided by law in acceptance of designation as state or county depositories. The treasurer may establish a depository or depositories for demand accounts in financial institutions outside of the governmental or municipal

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(continued)

area of the treasurer but within this state; provided, that the treasurer of a public entity may authorize any designated depository within this state to redeposit funds of the public entity into interest-bearing demand-deposit accounts in one or more federally insured financial institutions; and provided further, that the full amount of principal and any accrued interest of each such demand-deposit account shall be insured by the Federal Deposit Insurance Corporation. The State Treasurer is hereby authorized to be the official depository for the treasurer of any county, and for the treasurer of any city or board of education where such city or school district has a population of five thousand (5,000) or more inhabitants but only for deposit of remaining fund balances in inactive funds and not for checking purposes. The county treasurer is hereby authorized to be official depository for the treasurer of any city, town, or board of education.

Added by Laws 2000, SB 1390, c. 136, § 10, emerg. eff. July 1, 2000; Amended by Laws 2014, HB 2838, c. 207, § 1, eff. November 1, 2014.

62 O.S. § 517.4

§ 517.4. Deposit of collateral securities or instruments to secure public deposits

- A. A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.
- B. Upon authorization by the treasurer of a public entity, a financial institution shall place required collateral securities in a restricted account at a Federal Reserve Bank which serves Oklahoma, a Federal Home Loan Bank which serves Oklahoma or with another financial institution located in this state that is not owned or controlled by the same institution or holding company. The State Treasurer shall designate a number of such financial institutions authorized to serve as safekeeping or custodial institutions. The financial institution depositing collateral securities shall deliver to the treasurer of the public entity a power of attorney authorizing the treasurer to transfer or liquidate the securities in the event of a default, financial failure or insolvency of a public depository. The State Treasurer must approve any forms or pledge agreements used by public entities and financial institutions in securing public deposits of public entities.
- C. Securities eligible for collateral shall be valued at market value. The treasurer shall review and determine the market value of collateral pledged for security not less than quarterly. The market value of pledged securities shall be provided to the treasurer by either the financial institution holding the deposit or the financial institution holding the collateral securities, which market value must have been obtained from an

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(continued)

independent, recognized and documented source. The State Treasurer shall promulgate rules to provide for the valuation of collateral if the market value is not readily determinable. The State Treasurer shall prescribe reporting requirements and forms for financial institutions to list collateral securities pursuant to this section.

- D. The State Treasurer shall promulgate rules for the acceptance of collateral instruments described in Section 12 of this act, to secure deposits of the public entity. Such rules shall require that sufficient documentation exists to establish that the provider of the collateral instrument will protect the public entity in the event of a default, financial failure or insolvency of a public depository.
- E. All securities purchased by a treasurer of a public entity or held in custody for other departments of the public entity by the treasurer shall be held in financial institutions not involved in such transactions and shall not be held by the treasurer or a broker.

Added by Laws 2000, c. 136, § 11, eff. July 1, 2000.

62 O.S. § 517.5

§ 517.5. Acceptable Securities and Instruments for Securing Public Deposits

- A. For purposes of securing public deposits, the treasurer of a public entity may accept as collateral only those securities and other instruments listed below. To insure the safety of public funds, the treasurer may establish standards which restrict, or limit further, any of the types or classes of securities or instruments listed below which may be accepted. Any treasurer of a public entity may request the State Treasurer to determine the eligibility of an individual security for pledging under this section. The treasurer may select the following securities and instruments for the purpose of securing public deposits:
 - 1. Obligations, including letters of credit of the United States Government, its agencies and instrumentalities;
 - 2. Obligations of this state or of a county, municipality, or school district of this state or of an instrumentality of this state or a county, municipality or school district of this state;
 - 3. General obligation bonds of any other state of the United States; and
 - 4. A surety bond if:
 - a. subject to the terms and conditions of the bond, it is irrevocable and absolute,
 - b. the surety bond is issued by an insurance company authorized to do business in Oklahoma, and which has been approved by the State Treasurer,

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(continued)

- c. the issuer of the surety bond does not provide surety bonds for any one financial institution in an amount that exceeds ten percent (10%) of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance, and
 - d. the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the State Treasurer.
- B. A financial institution may substitute different forms of collateral from time to time, provided that the collateral is acceptable to the treasurer, and meets the requirements of this section and the rules of the State Treasurer.

Added by Laws 2000, c. 136, § 12, eff. July 1, 2000.

62 O.S. § 517.6

§ 517.6. Insolvency of Public Depository – Procedures - Forfeiture

In the event of a default or insolvency of a public depository, the treasurer of a public entity shall implement the following procedures:

1. In cooperation with the State Department of Banking and other regulatory officials, the treasurer shall ascertain the amount of public funds on deposit at the defaulting institution and the amount of deposit insurance applicable to such deposit;
2. The potential loss to the public entity shall be calculated by the treasurer. The loss to the public entity shall be satisfied, insofar as possible, first through any applicable deposit insurance and then through the sale of securities pledged, or through the proceeds of collateral instruments pledged, by the defaulting depository institution. Such sales shall be conducted by the treasurer;
3. The securities, bonds or other forms of collateral shall become forfeited to and become the property of the public entity. If the securities, bonds or other forms of collateral are valued at less than the amount of principal and interest due to the public entity plus the cost of the ensuing sale, the securities, bonds and other forms of collateral shall be sold by the treasurer, and the treasurer shall be entitled to recover from the financial institution such balances with costs and attorney's fees. If the market value of the securities, bonds or other forms of collateral exceeds the principal and interest due to the public entity plus the cost of the ensuing sale, the securities, bonds and other forms of collateral may be sold by the treasurer and the excess of the proceeds shall be returned to the pledging financial institution or its receiver, without further process of law.

Added by Laws 2000, c. 136, § 13, eff. July 1, 2000.

62 O.S. § 517.7

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(continued)

§ 517.7. Liability of treasurer of public entity

When public deposits are made in accordance with the Security for Local Public Deposits Act, the treasurer of a public entity shall not be liable for any loss resulting from the default or insolvency of a public depository in the absence of negligence, malfeasance, misfeasance or nonfeasance on the part of the treasurer.

Added by Laws 2000, c. 136, § 14, eff. July 1, 2000.

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OKLAHOMA ADMINISTRATIVE CODE

Title 735 State Treasurer

Chapter 20 Security for Local Entity Deposits

20-1-10. Acceptance of federal agency letters of credit to secure deposits

Public entities may accept letters of credit (LOC's) from any Federal Home Loan Bank ("FHLB") within the Federal Home Loan Bank System as a collateral instrument to secure public entity funds on deposit with financial institutions. Each LOC shall be in a form and shall contain such terms as shall be acceptable to OST and the public entity. Such LOC's must be unconditional, standby letters of credit which designate the public entity as the irrevocable and unconditional beneficiary of the LOC. To remain qualified as an issuer of an LOC, the obligations of the issuing FHLB must be rated and remain rated in the highest rating category of at least one of the nationally recognized rating agencies acceptable to the public entity. The issuing FHLB may not provide LOC's for any one financial institution with public entity funds on deposit which exceed twenty percent (20%) of the issuing FHLB's capital and surplus. The financial institutions which use LOC's to secure public entity deposits shall be solely responsible for the cost of securing an LOC.

[Source: Added at 16 Ok Reg 1275, eff 5-13-99; Amended at 18 Ok Reg 2857, eff 7-1-01; Amended at 33 Ok Reg 1851, eff 10-1-16]

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GLOSSARY OF TERMS

Agencies: Also called federal agency securities. A security issued by a federal agency or certain federally chartered entities (often referred to as government-sponsored enterprises or GSEs).

Amortization: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Asked Price: The price at which securities are offered to a potential buyer; the price sellers offer to take.

Basis Point: One-hundredth of a percent (.01%) used to express yield differentials.

Bid Price: The price that is offered to an owner to sell a particular security; or to submit a price one is willing to pay for a security.

Broker: A broker brings buyers and sellers together for a commission.

Callable Bond: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

Collateral: Securities pledged by a financial institution to secure public fund deposits.

Commercial Paper (CP): an unsecured, non-interest bearing, short-term obligation, priced at a discount. Typically maturities on commercial paper is from 3 to 270 days; maturities longer than that are rare because the issue would have to be registered with the SEC.

Coupon: The annual interest rate on a bond's (or notes) face value that the issuer promises to pay to the bondholder; or the physical certificate attached to a bond evidencing interest due on a payment date.

Credit Risk: The risk of loss due to the failure of the security issuer or backer.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery versus Payment (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an

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exchange of a signed receipt for the securities.

Derivatives: Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or financial contracts based upon national amounts whose value is derived from an underlying index or security.

Direct Obligations: A security issued by an agency backed by the full faith and credit of the agency (Direct obligations of the U.S. Government are defined as issues of the Treasury Department only).

Discount: The difference between face value and the selling price of an issue for issues selling below par.

Discount Securities: Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals.

Federal Farm Credit Bank (FFCB) – A common issuer of agency securities; FFCB is part of the Farm Credit System, a nationwide network of borrower-owned institutions that lend to agricultural and rural America. The System was created in 1916 and is the oldest Government-sponsored enterprise (GSE). Unlike commercial banks, System banks do not take deposits. Instead, funds for loans are obtained through the issuance of FFCB securities. Common FFCB securities include discount notes, debentures, and callable notes.

Federal Home Loan Banks (FHLB): One of the Federal Agencies. A government sponsored enterprise (GSE), consisting of wholesale banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The mission of the FHLB is to liquefy the housing related assets of its members who must purchase stock in their district Bank. Frequent issuer of discount notes, agency notes and callable agency securities. Also issues notes under its “global note” and “TAP” programs.

Federal Home Loan Mortgage Corporation (FHLMC): the Federal Home Loan Mortgage Corporation (FHLMC) commonly referred to as “Freddie Mac” was created in 1970 to assist its sister company Fannie Mae by purchasing mortgage loans in the secondary market, pooling them together, and selling them to investors in the form of a mortgage-backed security. By providing a secondary market for home loans, Freddie Mac increases the amount of money available for mortgage lending. Like Fannie Mae, Freddie Mac issues debt to finance its purchases in maturity ranges from one-day to 30 years. Common FHLMC securities include discount notes, debentures, callable notes and step-

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up bonds. Its long-term senior debt rating is also AA+/AAA, and in September 2008 it too was placed under Federal government conservatorship as a result of a significant decline in the underlying market value of the mortgage loans it held and guaranteed.

Federal National Mortgage Association (FNMA): the Federal National Mortgage Association (FNMA) commonly referred to as “Fannie Mae,” was created in 1938 during the Great Depression to provide a secondary market for mortgage loans by purchasing groups of loans from lenders and packaging them into pools of mortgage-backed securities that can then be sold to investors. To facilitate this process, Fannie Mae issues debt in maturity ranges from one-day to 30 years that it markets primarily to institutional investors. Common FNMA securities include discount notes, debentures, callable notes and step-up bonds. The company’s long-term senior debt is currently rated AA+ by S&P and AAA by Fitch. Although Fannie Mae had operated as a private company since 1968, it was placed under Federal government conservatorship in September 2008 as a result of a significant decline in the underlying market value of the mortgage loans it held and guaranteed.

Federal Reserve System: The central bank of the United State created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Full Faith and Credit: The unconditional guarantee of payment of an obligation by an agency.

Government National Mortgage Association (GNMA OR Ginnie Mae): GNMA buys Veterans Administration, Farmers Home Administration and Federal Housing Administration mortgages, then issues securities that are secured by pools of the underlying mortgages. An investor in this type of investment receives monthly payments of principal and interest that represent monthly mortgage payments by homeowners. GNMA are guaranteed by the full faith and credit of the U.S. Government unlike other agency mortgage-backed securities.

Government Sponsored Enterprise (GSE): Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will typically offer a yield premium over Treasuries. Examples of GSEs include: FHLB, FHLMC, and FNMA.

Interest Rate Risk: The risk that the market value of securities in the portfolio will fall due to changes in general interest rates.

Investment Company Act of 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Portfolio: The collection of securities held by an investor for gaining a financial return.

Judgments: Shall be construed to mean the final determination against the City of Oklahoma City by

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any court of competent jurisdiction in any action or proceeding to determine the rights of parties. The interest rate varies depending on the Court issuing the judgment, i.e. State or Federal, but cannot exceed ten percent (10%).

Liquidity: The ability to convert a security or securities into cash within a short period, with a minimal risk of loss of principal. A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

Market Value: The price at which a security is trading and could presumably be purchased or sold on a given day.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase--reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: Date at which the principal becomes due and payable in full to the holder a security.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

Money Market Mutual Fund: Mutual funds that invest solely in money market instruments.

Offer: The price asked by a seller of securities. (When you are buying securities, you ask for an offer).

Par Amount: The face value of a security, shown on the face of the document in a specific dollar amount, also the amount due at maturity.

Pledged Securities: Securities owned by a financial institution, which are pledged as collateral for funds deposited or securities purchased by the City.

Portfolio: Collection for securities held by an investor.

Prospectus: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC.

Prudent Person Standard Rule: Investment 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. See 62 O.S. § 348.3(C).

Quote: The offer to buy or to sell a security at a particular price.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market

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price. This may be the amortized yield to maturity on a bond the current income return.

Repurchase Agreement (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate for this. Dealers use repos extensively to finance their positions. Exception: When the Fed is said to be doing Repos, it is lending money that is, increasing bank reserves.

Revenue Bond – A revenue bond is a special type of municipal bond distinguished by its guarantee of repayment solely from revenues generated by a specified revenue-generating entity associated with the purpose of the bonds, rather than from a tax.

Reverse Repurchase Agreement: A repurchase agreement initiated by the lender of funds.

Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 397 day maturity limit, maximum weighted average life of 120 days, and a 60 day average maturity on investments.

Safekeeping: A service offered by financial institutions in which investments are held on the institution's premises (such as in a vault) for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities: Documents that can be traded for value; an instrument of ownership or debt used to finance government and corporate entities.

Securities and Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Sinking Fund: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Spread: The difference between the current buy and sell price for a given security, or between yields on similar securities - the additional yield offered over and above yields on Treasury securities to the same maturity date, expressed in basis points, that can be earned by investing in non-Treasury securities. When buying an agency, the offer will typically be presented in term of "spread to the comparable Treasury issue." For example, a two-year agency bullet may be offered at "plus 25 to the Treasury." What this means is that if the two-year Treasury note were yielding 1.00%, the agency would be offered 25 basis points higher to yield 1.25%.

State and Local Government Series (SLGS) Securities: Securities offered by the Division of Special Investments, Bureau of the Public Debt of the United States Treasury, to state and local government entities as an investment alternative to comply with yield restriction and arbitrage rebate provisions of the Internal Revenue Code and United States Treasury regulations. SLGS may be

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purchased as time deposit securities or demand deposit securities in a minimum amount of \$1,000, or in any larger amount, in increments of not less than \$1.00 for time deposit securities and in any increments over the \$1,000 minimum for demand deposit securities.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

Treasury Notes: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

Volatility: A degree of fluctuation in the price and valuation of securities.

Volatility Risk Rating: A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio.

Yield: The rate of annual income return on an investment expressed as a percentage. (a) **Income Yield** is obtained by dividing the current dollar income by the current market price for the security. (b) **Net Yield or Yield to Maturity** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield Curve: A graph showing the relationship at any given point in time between yield and current maturity.

Yield to Maturity: The rate of return yielded by a debt security held to maturity when both interest payments and the investor's capital gain or loss on the security are taken into account.

Zero Coupons Securities: Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

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CERTIFICATION

I am a registered principal or authorized representative of _____ (the "Firm"). The Firm is a registered dealer under the Securities Exchange Act of 1934 (the "Act"), and a member of the Financial Industry Regulatory Authority ("FINRA").

I have received a copy of the investment policy of The City of Oklahoma City dated _____. I have provided each current licensed member of the sales personnel who perform investment services for The City of Oklahoma City with a copy of your investment policy and have instructed these professionals to familiarize themselves with the terms of the policy. The Firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Firm and The City of Oklahoma City that are not authorized by The City of Oklahoma City's investment policy, except to the extent that this authorization is dependent on an analysis of the composition of the entity's entire portfolio.

As a FINRA registered dealer, the Firm is subject to the rules of the Securities and Exchange Commission (the "SEC") and the Rules of Fair Practices of FINRA. Those rules establish requirements for, among other things, net capital, reserves and custody of customer securities, and suitability of investment recommendations. Those rules also prohibit the use of fraudulent and deceptive practices.

The Firm has extensive internal procedures to assist the firm in complying with the rules of the SEC, FINRA, and other regulatory bodies having jurisdiction. The Firm's compliance with these rules will be monitored by FINRA-licensed supervisory principals and its Compliance Department. This process is audited routinely by both internal and outside auditors.

Name _____

Title _____