CITY OF SAN CARLOS
INVESTMENT POLICY

Last Adopted by Council: August 23, 2021
Resolution No. 2021- 073

POLICY

In accordance with the Municipal Code of the City of San Carlos and under authority granted by the City Council, the City Administrative Services Director is responsible for investing the unexpended cash in the City Treasury.

The investment of the funds of the City of San Carlos is directed to the goals of safety, liquidity and yield. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53686.

The primary objective of the investment policy of the City of San Carlos is Safety of Principal. Investments shall be placed in those securities as outlined by type and maturity sector in this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change in order to give the City of San Carlos the optimum combination of necessary liquidity and optimal yield based on cash flow projections.

SCOPE

The investment policy applies to all financial assets of the City of San Carlos as accounted for in the Comprehensive Annual Financial Report (CAFR). Policy statements outlined in this document focus on the City of San Carlos' pooled funds, but will also apply to all other funds under the City Administrative Services Director's span of control unless specifically exempted by statue or ordinance. This policy is applicable, but not limited to all funds listed below:

•General Fund •Sewer Fund •Capital Funds •Other Special Revenue Funds, Debt Service Funds, Internal Service Funds •Trust and Agency Funds •Peninsula Traffic Congestion Relief Alliance (Commute.org) •City and County Association of Governments of San Mateo County (C/CAG) •Any new fund created by the City Council unless specifically exempted.

PRUDENCE

The standard to be used by investment officials shall be that of a "prudent investor" and shall be applied in the context of managing all aspects of the overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The City Administrative Services Director and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

OBJECTIVES

Safety of Principal

Safety of Principal is the foremost objective of the City of San Carlos. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The City shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the City's capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the City's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

Liquidity

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements.

Maturity Matrix

Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored and the portfolio will be invested accordingly. The weighted average maturity of the pooled portfolio should not exceed two years and the following percentages of the portfolio should be invested in the following maturity sectors:

Maturity Range	***Suggested Percentage***
1 day to 7 days	10 to 50%
7 days to 180	10 to 30%
180 days to 360 days	10 to 30%
1 year to 2 years	10 to 20%
2 years to 3 years	0 to 20%

3 years to 4 years	0 to 20%
4 years to 5 years	0 to 20%
Over 5 years	Council Authorization Required *

* One exception does exist regarding the investment of bond reserve funds. If in the opinion of the City Administrative Services Director, matching the segregated investment portfolio of the bond reserve fund with the maturity schedule of an individual bond issue is prudent given current economic analysis, the investment policy authorizes extending beyond the five-year maturity limitation as outlined in this document.

PERFORMANCE EVALUATION

Investment performance is monitored and evaluated by the City Investment Advisory Committee. Investment performance statistics and activity reports are generated on a quarterly basis for presentation to the City Investment Advisory Committee and to the City Council. Annually, a statement of investment policy, and any proposed changes to the policy, will be rendered to the Investment Advisory Committee and then to the City Council for consideration at a public meeting.

The City's investment portfolio is designed to at least attain a market average rate of return through economic cycles. The market average rate of return is defined as average return on the Local Agency Investment Fund (assuming the State does not adversely affect LAIF's returns due to budget constraints).

DELEGATION OF AUTHORITY

The Municipal Code of the City of San Carlos and the authority granted by City Council assign the responsibility of investing unexpended cash to the City's Administrative Services Director. Daily management responsibility of the investment program may be delegated to the Financial Services Manager, who shall establish procedures for the operation consistent with this investment policy.

INVESTMENT COMMITTEE

An investment committee consisting of the City Treasurer, City Manager, and Administrative Services Director shall be established to provide general oversight and direction concerning the policy related to management of the City's investment pool. The Financial Services Manager shall not be a member of the committee but shall serve in a staff and advisory capacity. The committee shall review and approve quarterly investment reports prepared by the Finance Department and reviewed by the Financial Services Manager or meet as necessary to discuss changes to the report or the investment strategy. The Investment Committee serving as the legislative body of the Investment Policy will have the quarterly reports for review within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally the Administrative Services Director and the Financial Services Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

SAFEKEEPING OF SECURITIES

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement. All trades executed by a dealer will settle delivery versus payment (DVP) through the City's safekeeping agent.

Securities held custody for the City shall be monitored by the Administrative Services Director to verify investment holdings.

All exceptions to this safekeeping policy must be approved by the City's Administrative Services Director in written form and included in the quarterly reports to the Investment Committee and the City Council.

INTERNAL CONTROL

Separation of functions between the City's Administrative Services Director or Financial Services Manager and/or the City Senior Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the Administrative Services Director, executed by the Administrative Services Director or Financial Services Manager and confirmed by the Senior Accountant. All wire transfers initiated by the Administrative Services Director or Financial Services Manager must be reconfirmed by the appropriate financial institution to the Senior Accountant. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the City's cash and investments that have a material impact on the financial statements. The Administrative Services Director and/or Investment Committee shall review and assure compliance with investment process and procedures.

REPORTING

The City Administrative Services Director shall review and render quarterly reports to the City Investment Advisory Committee and to the City Council that include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities. The quarterly reports will be submitted to the Investment Committee within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code. Once approved by the Investment Committee, the quarterly reports shall be placed on the City Council's meeting agenda for its review and approval no later than 60 days after the quarter ends. If there are no Council meetings within the 60-day period, the quarterly report shall be presented to the Council at the soonest possible meeting thereafter.

QUALIFIED BROKER/DEALERS

The City shall transact business only with banks, savings and loans, and with broker/dealers. The broker/dealers should be primary or regional dealers. The City's Administrative Services Director will make exceptions only upon written authorization. The City currently does not maintain a list of broker/dealers approved to do business with the City. When necessary, the City shall go through the Request for Proposal processes to select the broker/dealers. Staff shall investigate dealers wishing to do business with the City to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and make markets in the securities appropriate to the City's needs. The City's investment policy shall be made available on the City's website for broker/dealers' review.

COLLATERAL REQUIREMENTS

Collateral is required for investments in certificates of deposit. To reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest.

AUTHORIZED INVESTMENTS
Investment of City funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

2. Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.

3. Most mortgage-backed securities are obligations issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond has a maximum five years' maturity. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical rating organization (NRSRO) and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

4. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as bankers' acceptances. Bankers' acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio. Also, no more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

5. Commercial paper ranked the highest letter and number rating by a nationally recognized statistical rating organization (NRSRO), such as Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services, and issued by domestic corporations having assets in excess of $500,000,000 and having an "A" or better rating on its long term debentures as provided by NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the value of the portfolio.

6. Negotiable Certificates of Deposit issued by nationally or state chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. A maturity limitation of five years is applicable.

7. Time deposits or placement service deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 50% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable. Effective January 1, 2020, no more than 50 percent of the agency's

money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30 percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.

8. Medium Term Corporate Notes, with a maximum maturity of five years, may be purchased. Securities eligible for investment shall be rated “A” or better by an NRSRO. Purchase of medium term notes may not exceed 30% of the market value of the portfolio.

9. Ineligible investments are those that are not described herein, including but not limited to, common stocks and long term (over five years in maturity) notes and bonds are prohibited from use in this portfolio. It is noted that special circumstances arise that necessitate the purchase of securities beyond the five-year limitation. On such occasions, requests must be approved by City Council prior to purchase.

10. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the City of San Carlos may be purchased as allowed under the State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be used.

The following summary of maximum percentage limits, by instrument, are established for the City's total pooled funds portfolio:

Authorized Investment Type	Government Code	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	As permitted by LAIF (currently $75 million per account)	N/A
San Mateo County Investment Pool	53684	Upon Demand	N/A	As permitted by County Treasurer (currently no limit)	N/A
Treasury Obligations (bills, notes & bonds)	53601(b)	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
Mortgage Pass-Through Securities or Mortgage-Backed Securities	53601(o)	5 years	(C)	20%	N/A
Bankers’ Acceptances	53601(g)	180 Days	N/A	40%	(B)
Commercial Paper	53601(h)	270 Days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	N/A
Placement Service Deposits – Deposits or	53601.8 and 53635.8	5 Years	N/A	50%	N/A

Certificates of Deposits					
Medium Term Corporate Notes	53601(k)	5 Years	A	30%	N/A

(A) 10% of outstanding paper of issuing corporation
(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.
(C) Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.

DERIVATIVE INVESTMENTS
Derivatives are investments whose value is "derived" from a benchmark or index. That benchmark can be almost any financial measure from interest rates to commodity and stock prices. The use of derivatives is prohibited under this policy.

LEGISLATIVE CHANGES
Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the City of San Carlos' Investment Policy and supersede any and all previous applicable language.

INTEREST EARNINGS
All moneys earned and collected from investments authorized in this policy shall be allocated quarterly to various fund accounts based on the cash balance in each fund at quarter end as a percentage of the entire pooled portfolio.

LIMITING MARKET VALUE EROSION
The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the City to limit the potential effects from erosion in market values by adhering to the following guidelines:

All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.

Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.

All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity.

PORTFOLIO MANAGEMENT ACTIVITY
The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

<u>Active Portfolio Management</u>. Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio.

<u>Portfolio Maturity Management</u>. When structuring the maturity composition of the portfolio, the City shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the

securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

Security Swaps. The City may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in the City's permanent investment file documents.

Competitive Bidding. It is the policy of the City to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities and the sale of all securities at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist that would not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

POLICY REVIEW

The City of San Carlos' investment policy shall be adopted by resolution of the City Council on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to City Council for approval.

Glossary of Terms

Accrued Interest: Interest earned but not yet received.

Active Deposits: Funds that are immediately required for disbursement.

Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Asked Price: The price a broker dealer offers to sell securities.

Basis Point: One basis point is one hundredth of one percent (.01).

Bid Price: The price a broker / dealer offers to purchase securities.

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap: Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Book Entry Securities: Securities, such stocks held in “street name,” that are recorded in a customer’s account, but are not accompanied by a certificate. The trend is toward a certificate-free society to cut down on paperwork and to diminish investors’ concerns about the certificates themselves. All the large New York City banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the “book-entry” custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Bearer and Registered Bonds: In the past, bearer and registered bonds were issued in paper form. Those still outstanding may be exchanged at any Federal Reserve Bank or branch for an equal amount of any authorized denomination of the same issue. Outstanding bearer bonds are interchangeable with registered bonds and bonds in “book-entry” form. That is, the latter exist as computer entries only and no paper securities are issued. New bearer and registered bonds are no longer being issued. Since August 1986, the Treasury’s new issues of marketable notes and bonds are available in book-entry form only. All Treasury bills and more than 90% of all other marketable securities are now in book-entry form. Book-entry obligations are transferable only pursuant to regulations prescribed by the Secretary of the Treasury.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker: In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit: A deposit insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) at a set rate for a specified period of time.

Collateral: Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Comprehensive Annual Financial Report (CAFR): The official annual financial report for the City. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Constant Maturity Treasury (CMT): An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement that also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

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

Duration: The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 8,000 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently $250,000) per account.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Inactive Deposits: Funds not immediately needed for disbursement.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity: Refers to the ability to rapidly convert an investment into cash.

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

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

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor’s Ratings Services, Fitch Ratings, Inc. or Moody’s Investors Services.

New Issue: Term used when a security is originally "brought" to market.

Perfected Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO): A transaction where the seller (bank) agrees to buy back from the buyer (City) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO): A transaction where the seller (City) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Risk: Degree of uncertainty of return on an asset.

Safekeeping: See Custody.

Sallie Mae: Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.
Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

Time Deposit: A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations: Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield: The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve: The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.