DEPARTMENT OF FINANCE

Investment Policy

I. POLICY

It is the policy of Howard County, Maryland (hereinafter referred to as the "County") to invest public funds in a manner which will conform to all State of Maryland and County statutes governing the investment of public funds, while meeting its daily cash flow demands and providing a return at least equal to the three-month Treasury bill yield. The County may not borrow money for the sole purpose of investment.

Any request or directive to diverge from this policy shall be reported, immediately, to the Director of Finance or County Auditor, as appropriate.

II. SCOPE

This investment policy applies to all cash and investments of the County that are accounted for in the County's Annual Comprehensive Financial Report and include:

A. General Fund

B. Special Revenue Funds

C. Capital Project Funds (Including Bond Funds)

D. Enterprise Funds

E. Debt Service Funds

F. Internal Service Funds.

G. Custodial Funds

H. Any new funds as provided by County Ordinance.

This policy does not cover the financial assets of the Howard County Retirement Plan, the Howard County Police & Fire Employees Retirement Plan, and the Howard County Other Post-Employment Benefits (OPEB) Trust Fund. There are separate investment policies which govern those assets.

III. PRUDENCE

Certain employees of the Department of Finance ("Department") that have been delegated investment authority (each an "Investment Officer") shall employ the "prudent person" standard when making investments. Specifically, Investment Officers shall:

(A) act with the care, skill, and diligence that a prudent investor acting in a like capacity and familiar with such matters would use considering the circumstances then prevailing;

(B) make investments in a manner designed to reasonably match anticipated cash flow needs so that sufficient funds are available to pay obligations upon proper presentation for payment;

(C) make investments so that a reasonable amount of cash or cash equivalents is available for unanticipated cash needs;

(D) consider the context of the assets in the Department's custody as a whole and as part of an overall investment strategy that incorporates reasonably suitable risk and return objectives;

(E) have due regard for minimizing risk while maximizing return;

(F) use competitive purchasing practices except when impractical;

(G) make investments so that the securities and collateral may continue to be priced on a marked to market basis;

(H) diversify investments unless, under the circumstances, it is reasonably determined to be in the best interests of the County not to do so;

(I) act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents;

(J) incur only costs that are appropriate and reasonable in amount; and

(K) ensure to avoid the enhancement of the personal financial position of the Investment Officer or any employee of the Department of Finance who has responsibilities for such investments.

Investment Officers shall have the discretion to direct or make investments that conform with this Investment Policy while exercising due diligence and employing the "prudent person" standards set forth in this Section.

IV. OBJECTIVES

The primary objectives, in priority order, of the County's investment activities shall be:

A. Safety: Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the County will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions. The County will minimize credit risk, which is the risk of loss of all or part of the

investment due to the failure of the security issuer or backer, by: limiting investments to the types of securities listed in Section VIII of this Investment Policy, and pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business in accordance with Section VII. The County will also minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Third party collateralization safekeeping, and delivery versus payment will also be required.

B. Liquidity: The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements which might be reasonably anticipated plus a reasonable amount for unanticipated needs.

C. Return of Investment: The County's investment portfolio shall be designed with the objective of attaining a rate of return at least equal to U.S. Treasury bill yields through budgetary and economic cycles. A Treasury bill yield benchmark was selected after considering the County's investment risk constraints and the cash flow characteristics of the portfolio. Generally, the three- or six-month Treasury yield that most closely matches the weighted average maturity of the portfolio shall be used.

V. DELEGATION OF AUTHORITY

A. Authority to manage the County's investment program is derived from state law (Title 17 of the Local Government Article of the Annotated Code of Maryland and Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland) and the Howard County Code Title 11, Subtitle 1.

The Department of Finance, under direction of the Director of Finance, has responsibility for the administration of financial affairs of the County, including the custody, safekeeping and investing, as permitted by law, of all funds and securities belonging to or by law deposited with, distributed to or handled by the County.

B. The Director of Finance shall develop and maintain written investment procedures for the operation of the investment program consistent with this policy. Such procedures shall include:

1. Explicit delegation of authority to Investment Officers responsible for investment transactions. No Investment Officer may engage in an investment transaction except as provided under the terms of this policy and the procedure established by the Director of Finance.

2. Procedures should include reference to safekeeping, Public Securities Administration (PSA) master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements.

VI. ETHICS AND CONFLICTS OF INTEREST

Investment Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officers and employees shall disclose to the Howard County Ethics Commission, through a Howard County, Maryland Financial Disclosure Statement, any financial interests in financial institutions that conduct business with the County, and any personal financial/investment positions that could be related to the performance of the County's portfolio. The Director of Finance shall review these statements annually to ensure there are no conflicts of financial interests.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The County will maintain a list of financial institutions and brokers/dealers authorized to provide investment services. The following is a breakdown of the types of institutions and dealers the County deals with along with the type of investment transactions handled by those institutions. Described below are the types of institutions and dealers the County may utilize in this investment strategy.

A. Primary Government Dealers/Other Securities Dealers:

1. Primary Government Dealers

   The Federal Reserve Bank of New York designates primary government dealers in government securities. The County can purchase all authorized and suitable investments as listed in Section VIII of this policy, except for certificates of deposit, from primary government dealers. The County may only enter into repurchase agreements with dealers if a signed PSA Master Repurchase Agreement is in effect.

2. Other Security Dealers:

   The County may enter into repurchase agreements with non-primary dealers if certain criteria are met. The dealer must:

   a. be a Securities and Exchange Commission (SEC) registered Government Securities Dealer; and

   b. maintain at least $100 million in "excess net capital" per current audited financial statements; and

   c. be approved by the Director of Finance; and

   d. have a signed PSA Master Repurchase agreement in effect.

   The County may also execute a repurchase agreement with the County's lead depository bank.

   The County may purchase U.S. Government securities, U.S. Government agency securities, U.S. Government Instrumentality Securities (also known as government sponsored enterprises, or GSEs), Supranationals, commercial paper

and bankers acceptances from dealers other than primary government dealers and from dealer banks which market these securities, provided that they qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). The County's investment policy is to encourage and ensure that local, regional, and minority firms have an opportunity to participate in transactions conducted for the County's investable funds.

3. Reporting and Compliance

Prior to approval of financial institutions, brokers/dealers must supply the Director of Finance with:

a. Trading Resolution;

b. All dealers must agree to the County's policy of delivery-versus-payment as described in Section XI of this policy; and

c. Acknowledgement that they have received a copy of this policy and agree to comply with its terms.

The Department of Finance will work with all approved financial institutions and brokers/dealers to verify and provide the following information:

a. Annual audited financial statements;

b. Proof of Financial Industry Regulatory Authority (FINRA) certification;

c. Proof of registration with the State of Maryland; and

d. Financial and Operational Combined Uniform Single Report (FOCUS Report).

B. Commercial Banks:

The County can only purchase Certificates of Deposit from any federally insured bank in the State of Maryland or any federally insured savings and loan association in the State of Maryland. Certificates of Deposit may be purchased directly through State-approved Commercial Banks or the Certificate of Deposit Account Registry Service (CDARS). Commercial Banks and savings and loan associations must have a short-term rating of at least investment grade from the appropriate Bank rating agencies. All banks shall provide their most recent Consolidated Report of Condition ("call" report) at the request of the County.

C. Money Market Treasury Funds and Investment Pools:

The fund must be registered with Securities and Exchange Commission under the Investment Company Act of 1940, 15 U.S.C. §80 a-1 et seq., as amended, and must comply with Rule 2A-7. Including, maintaining a net asset value (NAV) of $1.00 at all times and providing investors with daily liquidity. The funds must have a AAA rating from at least one nationally recognized rating agency.

In addition to commercial investment pools/mutual funds, the County may invest in the Maryland Local Government Investment Pool (MLGIP) as authorized by State statute (Section 17-301, et. seq., of the Local Government Article of the Annotated Code of Maryland) and County Resolution 102-2000.

D. Social Investing:

From time to time, the County may invest in instruments offered by community and minority financial institutions. All terms and relationships will be fully disclosed in the monthly investment schedule provided to the County Executive and the County Council.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS:

The County is empowered by State statute (Title 17 of the Local Government Article of the Annotated Code of Maryland, and Section 6-22 of the State Finance and Procurement Article of the Annotated Code of Maryland) to invest in specific types of securities, which include:

A. U.S. Treasury Obligations

B. U.S. Government Agency and U.S. Government instrumentality securities (GSEs)

C. Repurchase Agreements

D. Certificates of Deposit which are collateralized or Federally insured

E. Bankers' Acceptances

F. Municipal Securities and Municipal Mutual Funds

G. Commercial Paper

H. Investment Pools/Mutual Funds/Money Market funds

I. Supranational Issuers

All repurchase agreements will be governed by a Master Repurchase Agreement signed by the appropriate officials of the County and the broker/dealer.

IX. INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of a pool/fund is required prior to investing, and verification of AAA rating shall be performed annually. A questionnaire will be developed which will answer the following general questions:

A. A description of eligible investment securities, and a written statement of investment policy and objectives.

B. A description of interest calculations and distribution, and how gains and losses are treated.

C. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

D. A description of who may invest in the program, how often, what size deposits and withdrawals are allowed.

E. A schedule for receiving statements and portfolio listings.

F. Are reserves, retained earnings, etc. utilized by the pool/fund?

G. A fee schedule, and when and how it is assessed.

H. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

I. Does the pool or fund have an AAA rating from at least one nationally recognized rating agency?

J. Does the pool or fund operate in accordance with Rule 2A-7 of the Investment Company Act of 1940?

X. COLLATERALIZATION

A. Collateralization will be required on certificates of deposit and repurchase agreements. The collateralization level will be at least 102% of market value of principal and accrued interest in anticipation of market changes and to provide a level of security for all funds.

B. Collateral will always be held by an independent third-party with whom the County has a current custodial agreement. The independent third-party custodian will provide to the County a list of all securities held for the County at the end of each week and details of each transaction occurring during the month.

C. Acceptable collateral is specified under Section 6-202 of Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland. However, the third-party custodian, who holds the collateral, has the right to reject otherwise acceptable collateral based on their discretion concerning market conditions. The County grants the right to substitute collateral.

XI. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the County shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Director of Finance.

XII. DIVERSIFICATION IN AUTHORIZED & SUITABLE INVESTMENTS

The County will diversify to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maryland state law pertaining to authorized instruments is attached.

A. Diversification by Instrument		Maximum Percent of Portfolio
1.	U.S. Treasury Obligations	100%
2.	U.S. Government Agency and U.S. Government —Sponsored instrumentalities	100%
3.	Repurchase Agreements (Master Repurchase Agreement Required)	75%
4.	Collateralized Certificates of Deposit (Only Maryland commercial Banks)	35%
5.	Bankers' Acceptances BA's from domestic banks which also include the United States affiliates of large international banks. Must have at least two short term ratings of A-1/P1/F-1 or higher by S&P, Moody's, or Fitch respectively..	20%
6.	Municipal Securities and Municipal Mutual Funds The funds and/or bonds must have at least two ratings of A-/A3/A- (or their equivalent) or higher by two nationally recognized statistical rating organizations, one of which must be either Moody's or S&P.	25%
7.	Commercial Paper Must have at least two short term ratings of A-1/P1/F-1 or higher by S&P, Moody's, or Fitch respectively.	35%
8.	Money Market Mutual Funds	50%
9.	Supranational Issuers	40%
10.	Maryland Local Government Investment Pool	100%

B. Diversification by Institution/Broker

No more than 40% of the total investment portfolio will be invested through a single broker, dealer or other financial institution. Additionally, the following limits apply for each issuer of securities.

Diversification by Issuer		Limit Per Issuer
1.	U.S. Treasury Obligations	N/A
2.	U.S. Government Agency and U.S. Government —Sponsored instrumentalities	33%
3.	Repurchase Agreements (per counterparty)	30%

4.	Collateralized Certificates of Deposit	10%
5.	Bankers' Acceptances	25%
6.	Municipal Securities and Municipal Mutual Funds	10%
7.	Commercial Paper	10%
8.	Money Market Mutual Funds	None
9.	Supranational Issuers	20%

XIII. MAXIMUM MATURITIES

The majority of the investments of the County will have a maturity of one year or less in order to meet the objective of the County's investment activities and meet the County's operating cash flow needs. However, a portion of the portfolio may contain investments with maturities up to five years if safety and liquidity standards of the portfolio are met. The investments in long-term maturities will be limited to U.S. Treasury Obligations and to U.S. Government Agency and U.S. Government Sponsored Instrumentalities. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. As the priority for the portfolio is safety and liquidity, to ensure ample funds are available to cover all cash flow needs, at least 30% of the overall portfolio shall have a maturity of less than one year and at least 50% of the overall portfolio shall have a maturity of less than two and a half years on a rolling basis. This section of the investment policy does not pertain to the Agricultural Land Program where U.S. Treasury stripped securities with long maturities are purchased.

XIV. INTERNAL CONTROLS

The Director of Finance shall establish a system of internal controls. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and investment officers of the County. The internal controls of the investment operation are audited as part of the annual financial audit conducted by an external auditor.

XV. PERFORMANCE STANDARDS

The investment strategy is passive as the County intends to hold all securities until maturity. Short term U.S. Treasury Bill yields were selected as the benchmark to gauge the County's investment portfolio performance. This benchmark is described in Section IV.B. This benchmark comparison will be included in the monthly investment report.

XVI. REPORTING REQUIREMENTS

A. The Director of Finance shall provide a monthly investment report to the County Executive, the County Council, the County Auditor, the Chief Administrative Officer, the Budget Administrator and the Office of Public Information which will include data on investment instruments being held, as well as any narrative necessary to provide a clear picture of the status of the current investment portfolio. This report should also include discussions on changes to investment strategies and significant events or changes in the marketplace and shall be issued by the end of the subsequent month.

B. Schedules and charts in the monthly report will include the following:

1. Highlights for the month.
2. Portfolio yield.
3. Percentage of the portfolio by type, issuer and broker compared to authorized diversification percentages.
4. Investments and interest income by fund.
5. Comparison of current year and prior year portfolio balances.
6. A listing of individual securities held at the end of the reporting period by authorized investment type, including the coupon, discount or earnings rate (yield), average life and the purchase and final maturity dates for each investment.
7. Book value versus market value for securities with a final maturity greater than one year from the date of the report.
8. Comparison of current yield to benchmark yield.

C. Copies of the policy and the monthly investment report are available online at: Investment Policy & Reports | Howard County

XVII. INVESTMENT POLICY ADOPTION

Per Section 17-205 of the Local Government Article of the Annotated Code of Maryland, the Investment Policy must be adopted by resolution of the Howard County Council and a certified copy sent to the State Treasurer's office.

Any changes to the policy must be approved by resolution of the Council.

XVIII. GLOSSARY

Because this Policy is to be available to the public as well as the County, it is important that a glossary of related terminology be part of the policy.

Rafiu O. Ighile
Director of Finance

Dated: October 6, 2025

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report for Howard County, Maryland. It includes Government-wide financial statements and fund financial statements prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities (When you are selling securities, you ask for a bid.) See Offer.

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

CERTIFICATE OF DEPOSIT (CD): a time deposit with a specific maturity evidenced by a certificate. Large-denomination cd's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

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: 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 exchange of a signed receipt for the securities.

DERIVATIVES: (1) 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 (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a 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 CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 11 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HOD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 38% of the commercial banks in the United States are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR Ginnie May): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

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

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

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

OFFERS: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some States the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state-the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

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 the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at 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 him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

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

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SUPRANATIONAL ISSUER: An international development institution that provides financing, advisory services, or other financial services to the institution's member countries to achieve the overall goal of improving living standards through sustainable economic growth; and is rated in the highest credit rating category by a nationally recognized statistical rating organization. "Supranational Issuer" includes the World Bank, the International Finance Corporation, the Inter-American Development Bank, the African Development Bank, and the Asian Development Bank.

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 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.

UNIFORM. NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

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.

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.