CITY OF SAN RAMON

STATEMENT OF INVESTMENT POLICY

Fiscal Year 2022-23

Purpose

This statement implements §53646 of the Government Code, of the State of California, by providing a Statement of Investment Policy. It is intended to provide sound procedures for the prudent investment and management of public funds of the City of San Ramon. Consistent with provisions of this code section, this policy shall be annually reviewed and adopted by the City Council.

Scope

This policy applies to all liquid financial assets of the City of San Ramon. These assets are accounted for in the City's *Comprehensive Annual Financial Report (CAFR)*, which includes the annual independent audit report, under the following categories:

General Fund
Special Revenue Funds
Capital Project Funds
Debt Service Funds
Internal Service Funds
Trust and Agency Funds

Funds excluded from this policy:

1. Bond Proceeds - The investment of bond proceeds held with trustees is directed by the City, but is governed by the restrictions on permitted investments in the applicable bond indenture or similar agreements.

2. Deferred Compensation, Retirement, Other Post-Employment Benefits (OPEB) 115 Trust, and Supplement Pension 115 Trust – Investments related to these plans are not subject to this policy since third-party administrators or trustees manage the funds and either the individual plan participants or trustees direct investment selection.

Objective

The City's objective is to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest idle funds to the fullest extent possible. Idle cash management and investment transactions are the responsibility of the Finance Division of the Administrative Services Department. The City shall attempt to obtain a market rate of return, provided that criteria for safety and liquidity are adequately met, and that all provisions of this investment policy are strictly adhered to.

Investment Principles

The City of San Ramon operates its temporary pooled idle cash investments under the *"prudent investor standard "*. This standard states: *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.*

Consistent with this principle, the following basic tenets shall serve to guide the City's investment program:

> **Safety** — The first priority for the investment program shall be the safety of principal investment. Procedures for ensuring safety of principal shall involve compliance with legal requirements set forth under sections of the Government Code, development and maintenance of adequate records and controls, and avoidance of market speculation through an underlying "buy and hold" investment strategy.
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> **Liquidity** — The second priority for the investment program shall be to provide adequate cash for operations or capital purposes on an as-needed basis. Procedures for ensuring adequate liquidity shall include maintenance of pro forma City cash needs through analysis of historical and projected future cash flows, and matching investment maturities to cash requirements.
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> **Yield** —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 consideration the investment risk constraints and liquidity needs. Yield on the City's investment portfolio is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low-risk securities in anticipation of earning a market rate of return relative to the risk being assumed. Nevertheless, investment performance shall be periodically monitored and evaluated by the Administrative Services Director by comparison with other benchmark yields.

Delegation of Authority

The City of San Ramon Municipal Code assigns treasury responsibilities to the Administrative Services Director who serves as the City Treasurer. The Administrative Services Director currently performs the duties of the Director of Finance. The authority to invest City Funds rests with the Administrative Services Director and his designated staff, herein referred to as the Deputy Treasurer. The Administrative Services Director has further authority, with consent of the City Council to delegate investment portfolio management to FTN Financial Main Street Advisors, an Investment Advisory firm. No person may engage in an investment transaction except as provided for under the terms of this policy. The Administrative Services Director shall be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinate officials.

Ethics and Conflicts of Interest

Officers, Councilmembers, 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. Employees, Councilmembers and investment officials shall disclose any material financial interests that could be related to the performance of the City's investment portfolio.

GASB 31

The Government Accounting Standards Board (GASB) Statement No. 31 requires that governmental entities report all investments with a maturity in excess of one-year at fair market value in the balance sheet or other statement of financial condition as of the end of the annual reporting cycle. Market value increases/declines are recognized by booking the variation against earnings at year-end. This book gain/loss would be realized by way of an increase/reduction in reserves, increasing/reducing funds available for appropriation. Because longer-term investments are subject to greater fluctuations in price and market value, specific constraints in the form of percentage limitations have been incorporated into this policy. These limitations minimize material gains/losses in the value of the portfolio in a declining/rising interest rate environment and mitigate the risks inherent in GASB Statement 31.

Permitted Investments

- **Bonds issued by the City of San Ramon or other local agency** of the State of California, provided that the obligations are rated Aa3, AA-, AA- or higher by a Nationally Recognized Statistical Rating Organization (NRSRO), Moody's Investors Services (Moody's), Standard and Poor's Ratings Services (S&P), or Fitch Ratings (Fitch), respectively. Purchases of eligible municipal securities shall not exceed five years to maturity.

- **United States Treasury notes, bonds, bills** or other obligations for which full faith and credit of United States are pledged for payment of principal and interest. Purchases of eligible treasury securities shall not exceed five years to maturity.

- **Federal Agency Securities.** 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. Purchases of eligible federal agency securities shall not exceed five years maturity.

- **Bonds issued by the State of California.** Provided that the obligations are rated Aa3 or higher provided by (Moody's), has an AA- or higher rating provided by (S&P), or has an AA- or higher rating provided by (Fitch). Purchases of eligible federal agency securities shall not exceed five years to maturity.

- **Bankers' Acceptances,** issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by Moody's or by S&P. Purchases of Bankers' Acceptances may not exceed 180 days to maturity, or 40% of the City's surplus funds, nor may the City invest more than 2% of its surplus funds in the Bankers' Acceptances of any one commercial bank.

- **Commercial Paper** issued by corporations organized and operating within the United States with total assets in excess of $500,000,000. Commercial paper must have a minimum short term rating by at least two of the following NRSRO's: A-1 by S&P, P-1 by Moody's, or F-1 by Fitch and a minimum long-term debt rating of A2 by Moody's, A by S&P, or A by Fitch. Purchases of eligible Commercial Paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of an issuing corporation, nor may the City's investments in Commercial Paper exceed 25% for the City's surplus funds.

- **FDIC Insured Certificates of Deposit** issued by a nationally or state-chartered bank, or a state or federal savings and loan association, or by a state-licensed branch of a foreign bank. The invested amount per institution shall not exceed the current FDIC insured limit (currently $250,000). Purchases of eligible FDIC insured certificates of deposit shall not exceed five years to maturity.

- **Negotiable Certificates of Deposit** issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided (1) that the senior debt obligations of the issuing institution are rated Aa2 or better by Moody's or rated AA or better by-S&P and (2) that the financial institution has received a minimum overall "satisfactory" rating for meeting the credit needs of California communities in its most recent evaluation. Purchases of negotiable certificates of deposit may not to exceed 30% of the City's surplus funds, nor in excess of the greater of either the net worth of the depository or $500,000. Purchases of eligible negotiable certificates of deposit shall not exceed five years maturity.

- **Repurchase Agreements** used solely as short-term investments not to exceed 30 days. The following collateral restrictions will be observed. Only U.S. Treasury securities or Federal Agency securities allowable in this policy will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the City's custodian bank by book entry, physical delivery, or third-party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis. Investments in repurchase agreements shall not exceed 30% of the City's surplus funds.

Additional Repurchase Agreement Provisions: Market value must be calculated each time there is a substitution of collateral.

The City or its trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement

The City may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York.

The City will have specific written agreements with each firm with which it enters into Repurchase Agreements.

- **Medium-Term Corporate Notes** issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States. Medium-term corporate notes shall have a maximum maturity of five years, and a minimum long-term debt rating by at least two of these NRSRO's: A2 by Moody's, A by S&P, or Aby Fitch. Purchases shall not to exceed 30% of the City's surplus funds.

- **State of California Local Agency Investment Fund.** Investment in LAIF may not exceed $40 million. No more than 15% of the total City investment portfolio is to be invested in LAIF.

- **Negotiable Order of Withdrawal** that functions as an interest bearing checking account that is fully collateralized with securities rated "AA" or higher and offered by a nationally or state-chartered bank or a State or Federal savings and loan association or by a state-licensed branch ˙of a foreign bank with assets exceeding $5 Billion. No more than $3,500,000 of the City investment portfolio is to be invested in this type of account.

- **Supranational Debt Obligations.** United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development of the World Bank (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IABD), with maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments must have a minimum rating of AA or better by at least two of the following NRSRO's: Moody's, S&P, or Fitch, and shall not exceed 30% of the City's surplus funds.

- **Shares of beneficial interest issued by diversified management companies,** that are money market funds (MMFs) registered with the Securities and Exchange Commission under the Investment Advisory Company Act of 1940 (15 U.S.C. Sec 80a-1 et seq.). To be eligible for investment pursuant to this subdivision these companies shall either (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations listed above and with assets in excess of $500,000,000. The MMF invests only in Treasury and Federal Government Agency securities, and in repurchase agreements backed by Treasury and Federal Government Agency securities.

  The purchase price of the MMF shares shall not exceed 20% of the City's surplus funds. (Per section 53601-L)

Ineligible Investments

Any security type not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to:

- "Complex" derivative structures such as range notes, dual index notes, inverse floaters, leveraged or deleveraged floating-rate notes, or any other complex variable-rate or structured note.

- Interest only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

- Asset Backed Securities

- Common Stocks

- Reverse Repurchase Agreements

Maximum Maturity

Pursuant to Government Code §53601, the City Council limits investments to securities with remaining maturity periods of no greater than five years.

Credit/Issuer Risk

The City will seek to mitigate credit risk by requiring that issuers meet specific qualifying criteria. The following guidelines will be used to determine the distribution of funds between issuers.

For medium term corporate notes and negotiable certificates of deposit, issuers must possess an acceptable long-term senior debt rating by at least two of the nationally recognized ratings services, i.e. Moody's, S&P's, and Fitch, as detailed below:

1. For maturities of four years or less, a minimum rating of A2 by Moody's, A by S&P, or A by Fitch.

2. For maturities of four to five years, a minimum rating of Aa3 by Moody's, AA- by S&P, or AA- by Fitch.

In the event an issuer is downgraded to below A2 (Moody's) or A (S&P or Fitch), an analysis will be prepared of the exposure to the City and a recommendation will be made regarding holding the security or a possible sale.

Market Risk

Market risk shall be addressed by diversification of security types and distribution. Percentage limitations and maturity restrictions will comply with the State of California Government Code. Maturity distribution, particularly as impacted by changes in the yield curve will be frequently monitored by staff. Market risk will further be mitigated by limiting the portion of the portfolio investments with maturities in excess of one-year to 70%. The weighted average maturity of the portfolio shall not exceed 2.5 years.

Diversification by Investment Type and Issuer

Percentage limitations by investment type are outlined in Section 53600 of the Government Code. As described above the City will further diversify the portfolio by issuer, with the exception of Treasury securities, which will have no percentage limitations. The City shall seek to preserve principal by mitigating credit risk by diversifying the investment portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the City. Listed below are sector and issuer limitations:

Sector	**Sector Limit**	**Issuer Limit**	**Max Years**	**Minimum Rating** *(NRSROs: S&P, Moody's, Fitch)*
U.S. Treasuries	100%	100%	5 Years	N/A
Federal Agencies	100%	50%	5 Years	N/A
Money Market	20%	20%	N/A	AAA/Aaa by at least two NRSROs
City of San Ramon Bonds	10%	10%	5 Years	Aa3 or AA- by one NRSRO

State of California Obligations	3%	3%	5 Years	Aa3 or AA- by one NRSRO
Local Agencies of California	10%	2%	5 Years	Aa3 or AA- by one NRSRO
Bankers' Acceptances	40%	2%*	180 Days	A1/P1 by S&P or Moody's
Commercial Paper	25%	2%*	270 Days	A1/P1/F1 and long-term A/A2/A by one NRSRO
Negotiable CDs	30%	2%*	5 Years	See page 4 for rating criteria
Medium-Term Notes	30%	2%*	5 Years	A/A2 less than 4 yrs, Aa-/Aa3 greater than 4 yrs by at least two NRSROs
Supranational Obligations (IFC, IBRD, and IADB)	30%	5%	5 Years	AA/Aa2 by at least two NRSROs

*The issuer limits for Banker's Acceptances, Commercial Paper, Negotiable Certificates of Deposits and Medium-Term Corporate Notes shall be calculated in aggregate at time of purchase.

Sale of Securities

The City does not make investments for the purpose of trading or speculation, but buys with the prevalent intent to hold securities to maturity. The prohibition of speculative investment precludes pursuit of profit through unusual risk or conjectural fluctuations in market prices. However, fluctuations in market rates or changes in credit quality may produce situations where securities may be sold at a nominal loss in order to mitigate further erosion of principal. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

Brokers/Dealers

A competitive bid/offer process, utilizing a minimum of three financial institutions on the approved broker/dealer list maintained by the City or the City's Investment Advisor, will be used to place all investment purchases and sales of secondary traded issues, if possible. Some secondary issues may be offered by only one or two broker/dealers. Purchases of securities that are new issues do not require three offers.

All brokers/dealers with whom business is transacted shall be subject to regulation by the Securities and Exchange Commission. The investment advisor annually conducts a review of all broker/dealers, including their adherence to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

Safekeeping and Custody

The assets of the City shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Collateralized securities such as repurchase agreements shall be purchased using the delivery versus payment procedures.

Reporting Requirements

Pursuant to Government Code §53646, the Administrative Services Director shall render a quarterly investment report to the City Manager and City Council showing the type of investment, issuer, purchase date, purchase price, date of maturity, amount of deposit, coupon rate of interest, investment yield, and, for investments with a maturity exceeding 12 months, current market value, and source of market valuation. The quarterly report shall state its relationship to the adopted investment policy and shall provide assurance that the investment portfolio provides sufficient cash flow to meet the cash requirements for the following six months. The investment report shall be submitted within 30 days following the end of the quarter. Additionally, pursuant to Government Code §53607, a monthly transaction report shall be presented to the City Manager and City Council.

Performance Standards

The City portfolio is managed with the objective of obtaining a market rate of return, commensurate with identified risk constraints and cash flow characteristics. The appropriate benchmarks will be periodically reviewed by the City Council Finance Committee.

Allocation of Interest

Interest from the City's pooled investments is allocated proportionately to the City's various funds in the month it is received.

Glossary

Agencies: Federal agency securities.

Banker's 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. The drafts are drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. An acceptance is a high grade negotiable instrument.

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.)

Broker: A broker brings buyers and sellers together for a commission. He/she does not take a position.

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.

Commercial Paper: Short term unsecured promissory note issued by a corporation (including limited liability companies) to raise working capital. These negotiable instruments are purchased at a discount to par value or at par value with interest bearing. Commercial paper is issued by corporations such as General Motors Acceptance Corporation, IBM, Bank of America, etc.

Comprehensive Annual Financial Report (CAFR): The official annual report for the City. It includes combined statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material and a detailed Statistical section.

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.

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which 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.

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

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).

Diversification: Dividing investment among a variety of securities offering independent returns with the objective of lowering risk.

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

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks which lend funds and provide correspondent banking services to member commercial banks, thrifty 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 Home Loan Mortgage Corporation (FHLMC): The FHLMC was created under the Federal Home Loan Mortgage Act, Title III of the Emergency Home Finance Act of 1970 as a stockholder owned government-sponsored enterprise. Freddie Mac, as the corporation is called, is charged with providing stability and assistance to the secondary home mortgage market by buying first mortgages and participation interests and reselling these securities in the form of guaranteed mortgage securities. Although agency obligations are not explicitly guaranteed by the federal government, the rating agencies believe that in the unlikely event of financial difficulties, the federal government will support the agency to the extent necessary to provide for full and timely payment on their securities.

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 (HUD). 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 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 approximately 38 percent of the 8,039 commercial banks in the United States are members of the Federal Reserve System. National banks must be members; state-chartered banks may join if they meet certain requirements.

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

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

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.

Money Market: A segment of the financial market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are traded.

Municipal Securities of Local Agencies: Debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects. The purchase of municipal securities is a loan to the bond issuer in exchange for regular interest payments and the return of the original investment.

Nationally Recognized Statistical Rating Organization ("NRSRO"): Firms that review and assess the creditworthiness of an obligor as an entity or with respect to specific securities or money market instruments and express their opinion in the form of a letter rating. A credit rating agency may apply to the SEC for registration as a nationally recognized statistical rating organization ("NRSRO"). The primary rating agencies are Standard & Poor's Corporation, Moody's Investor Services, Inc. and Fitch, Inc.

Negotiable Certificates of Deposit: Unsecured obligations of the financial institution, bank or savings and loan, bought at par value with the promise to pay face value plus accrued interest at maturity. They are high-grade negotiable instruments, paying a higher interest rate than regular certificates of deposit.

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

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.

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 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.

Risk: Degree of uncertainty of return on an asset.

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.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded option (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.

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".

Supranational Securities: A supranational organization is formed by a group of countries through an international treaty with specific objectives such as promoting economic development. Supranational organizations also issue debt in the United States. The most commonly recognized supranational debt is issued by the International Bank for Reconstruction and Development (IBRD or World 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 Bond: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

Treasury Notes: Intermediate-term coupon bearing U.S. Treasury having initial maturities of from one year to ten years.

Trustee: A financial institution with powers to act in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

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.

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.

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