GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Finance and Treasury
1101 4th Street SW, Suite 850W
Washington, DC 20024

CASH & INVESTMENT MANAGEMENT INVESTMENT POLICY

September 16, 2021

Table of Contents

A. PURPOSE

The purpose of this Investment Policy is to set forth the requirements for the cash and investment management of the public funds of the Government of the District of Columbia (the "District"). This Investment Policy has been adopted by, and can only be changed by, the District's Chief Financial Officer ("CFO") and the District's Treasurer.

This Investment Policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. This Investment Policy does not supersede applicable laws and code.

The accounting for the District's investment portfolio will be consistent with guidelines of the Governmental Accounting Standards Board (GASB), as interpreted by the District's Office of Financial Operations and Systems.

B. SCOPE

This Investment Policy governs the overall administration and investment management of those monies held in the District's investment portfolio. It will apply to such monies from the time of receipt until the time they leave the District's accounts. This Investment Policy applies to all cash and financial investments of the various funds of the District of Columbia as identified in the District's Comprehensive Annual Financial Report (Annual Report), except for those financial assets explicitly excluded from coverage for legal or operational reasons. Monies include, but are not limited to, operating funds, debt service funds, capital project funds, and grant money.

The requirements set forth herein will be strictly followed by all those responsible for any aspect of the management or administration of these monies.

C. INVESTMENT OBJECTIVES

The District seeks to invest funds in assets that will preserve principal and allow the District to meet anticipated daily cash needs, while maximizing investment earnings.

The District's investment objectives, in order of priority, are as follows:

1. **Safety of Principal -** The District undertakes investments in a manner that seeks to ensure preservation of capital in the overall portfolio. To obtain this objective, the District utilizes highly rated securities and diversifies funds by investing in a variety of securities and sectors.
2. **Maintenance of Liquidity** - The Districts' investment portfolio must provide sufficient liquidity to enable the District to meet all operating, capital, and other allowable expenditures that might be reasonably anticipated.
3. **Maximizing Return** - The District's investment portfolio must be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and cash flow characteristics of the portfolio.

D. INVESTMENT AUTHORITY DELEGATION

Pursuant to Section 424(d) of the District of Columbia Home Rule Act (as amended), the CFO's duties include "maintaining custody of all investment and invested funds of the District government or in possession of the District government in a fiduciary capacity," and "administering the cash management program of the District government, including the investment of surplus funds in governmental and non-governmental interest-bearing securities and accounts."

In accordance with the DC Law 12-56, the Financial Institutions Deposit and Investment Amendment Act of 1997 (the "Act"), which governs the investment activities of the District of Columbia, the CFO is responsible for managing the District's financial investments. This statute provides methods for depositing and investing District funds and obtaining financial services. The CFO may delegate responsibility for the day-to-day management of the investment program to a designee. In accordance with the official position description and duties of the District Treasurer/Deputy Chief Financial Officer (the "Treasurer"), he/she is responsible for and has the authority to manage and execute the District's investment activity.

E. INVESTMENT ADVISORY COMMITTEE & REPORTING

An Investment Advisory Committee is established for the purpose of periodically reviewing the performance of the District's investment portfolio, including compliance with this Investment Policy. The Committee will consist of five (5) members: the CFO or his/her designee; the Treasurer; the Associate Treasurer for Asset Management; the Associate Treasurer for Debt and Grants Management; the Associate Treasurer for Banking and Operations; and the Deputy Chief Financial Officer for Revenue Analysis. The CFO or designee will serve as chairperson of the Investment Advisory Committee. If a Committee member is unable to attend a meeting of the committee, the member may appoint a designee to serve on his/her behalf. Committee members may also have staff members attend the Committee meetings in a non-official capacity. At least three (3) members (or designees) must be present for there to be an official meeting of the Committee, and this shall represent a quorum. Any decisions of the Committee shall be decided by consensus or, if a consensus cannot be reached, by majority vote.

The Investment Advisory Committee will be charged with the following responsibilities:

1) At least annually, review and, if determined appropriate, make recommendations to the CFO regarding updates to the Investment Policy;
2) Assure that the District is in compliance with current laws and the District's Investment Policy; and
3) Meet at least semi-annually, to receive a report on and deliberate such topics as economic outlook, portfolio diversification and maturity structure strategy and performance, credit rating exposure, cash flow forecasts, potential risks, and investment policy compliance.

F. STANDARD OF PRUDENCE

The standard of prudence to be applied to the investment of the District's Portfolio shall be the "Prudent Person Rule" that states:

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

The CFO, the Treasurer, and other District employees acting in accordance with written procedures and this Investment Policy and exercising due diligence shall not be assigned personal responsibility for investment performance. Significant deviations from expectations are to be reported in a timely fashion to the CFO.

G. ETHICS AND CONFLICTS OF INTEREST

1. The CFO, Treasurer, officers and employees involved in the investment process must refrain from any personal business activity that could conflict with proper execution of the investment program or impair their ability to make impartial investment decisions. Employees must disclose to the Investment Advisory Committee any material financial interests in financial institutions that conduct business with the District, and they must also disclose any large personal financial or investment positions that could be related to the performance of the District.

2. The CFO, Treasurer, and other employees involved in the investment process shall avoid any transactions that might impair public confidence in the Government of the District of Columbia.

H. AUTHORIZED INVESTMENTS

Within its investment portfolio, the District may invest in the following Instruments in accordance with DC Law 12-56 and other applicable law.

1. U.S. Treasury Obligations: United States Treasury bills, notes, or any other obligation or security issued by or backed by the full faith and credit of the United States Treasury.
2. *U.S. Agency Obligations Primary Issuers: U.S. government-sponsored enterprises, which include but are not limited to the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and Federal Farm Credit Banks (FFCB).*
3. *U.S. Agency Obligations Secondary Issuers: Other U.S. government sponsored enterprises that are less marketable and considered secondary Government Special Entities and include but are not limited to the Private Export Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation (Farmer Mac).*
4. *Supranational Agency Bonds: Institutions that have the U.S. government as its largest shareholder and include but are not limited to the International Bank for Reconstruction and Development (IBRD or World Bank), International Finance Corporation (IFC), Asian Development Bank (ADB) and Inter-American Development Bank (IADB).*
5. Municipal Debt Obligations: Bonds, notes and other evidence of indebtedness of any state or local government.
6. Corporate Notes: Issuers domiciled in the United States and Canadian of corporate notes that adhere to the procedures adopted by the state investment board and are purchased on the secondary market.
7. Commercial Paper: Short-term promissory notes issued by corporations and purchased on the secondary market.
8. Federally Insured Bank Deposit or Collateralized Certificates of Deposit (or other evidence of deposit) in state-chartered banks or federally charted banks or foreign banks with domestic offices.
    a. Deposits with savings and loans associations or District and federal credit unions shall not exceed the greater of 25% of the total assets of the institution, exclusive of the District's main depository operating accounts.

b. Collateralization level shall be at least 102% of the market value of principal, plus accrued interest, or as required by the terms of bond issues, municipal bond insurance policies, and/or other financing agreements which may pertain to the District's monies.
c. All deposits of District monies in excess of the amount protected by federal deposit insurance will be collateralized with any combination of U.S. Treasury and federal agency obligations.
d. Collateral must be held by an independent third-party custodian and a marked safekeeping receipt must be supplied to the District as evidence of ownership. The right of collateral substitution is allowed with the permission of the District.

9. Repurchase Agreements:
   a. A signed Master Repurchase Agreement is required
   b. Collateral on Repurchase Agreements must be limited to treasury and agency securities. Collateral shall be delivered to District's safekeeping agent or through a tri-party arrangement in which the proper documents delineating the responsibilities of the parties have been executed. A clearly-marked evidence of ownership (electronic safekeeping receipt) must be supplied to District of Columbia Government and retained.
   c. Any required margin (the amount by which the market value of the securities collateralizing the transaction exceeds the transaction value) will be determined at the time of the transaction, as specified in the Master Repurchase Agreement. Any such required margins shall not be less than 102 percent of the current market value of the collateral. Such collateral shall be revalued on a periodic basis, but not less than quarterly, in order to maintain market protection.
   d. The counterparty is a:
      i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York
      ii. a bank, savings and loan association, or diversified securities broker-dealer having at least $5 billion in assets and $500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency
      iii. and has been in operation for at least 5 years

10. Money Market Mutual Funds: Shares in open-end, no-load investment funds provided such funds are registered under the Federal Investment Company Act of 1940. The mutual fund must comply with the diversification, quality and maturity requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission and cannot hold any investment not permitted by this Investment Policy, specifically Asset-Backed and Mortgage-Backed Securities.

    The District must obtain a copy of the fund's prospectus and review for permitted investments, fees, and management.

I. <u>PORTFOLIO DIVERSIFICATION</u>

District diversifies its investment portfolio by adhering to the constraints in the following table. The District recognizes Standard and Poor's (S&P), Moody's and Fitch as the major Nationally Recognized Statistical Ratings Organizations (NRSRO). In the case of split ratings, where the major NRSROs issue different ratings, the lower rating shall apply. Minimum credit ratings and percentage limitations only apply at the time of purchase.

Issuer Type	Maximum % per issue type	Maximum % per issue	Minimum S&P rating at purchase	Minimum Moody rating at purchase	Minimum Fitch rating at purchase	Maximum Maturity
U.S. Treasury Obligations	100%	None	N/A	N/A	N/A	5 years
U.S. Agency Obligations Primary Securities	100%	40%	N/A	N/A	N/A	5 years
U.S. Agency Obligations Secondary Issuance	10%	40%	AA-	Aa3	AA-	5 years
Supranational Agency Bonds	10%	5%	AA-	Aa3	AA-	5 years
Municipal Debt Obligations	100%	5%	AA-	Aa3	AA-	5 years
Corporate Notes[1]	10%	5%	AA-	Aa3	AA-	5 years
Commercial Paper[2]	30%	5%	A-1	P-1	F1	180 days
Federally Insured or Collateralized Certificates of Deposit	30%	25%	N/A	N/A	N/A	5 years
Repurchase Agreements	100%	25%	AA-	Aa3	AA-	90 days
Money Mutal Market Funds	100%	25%	AAA	AAA	AAA	5 years
Negotiable Certificates of Deposit	30%	5%	N/A	N/A	N/A	5 years
Bank Deposits	100%	None	N/A	N/A	N/A	N/A

[1]Corporate notes with a negative outlook may not be purchased.
[2]Maturities less than 100 days must have a short-term credit rating by at least two NRSROs. If rated by all three major NRSROs, it must be rated in the highest short-term rating category from all of them. Maturities longer than 100 days must have a long-term senior unsecured credit rating by at least one NRSRO of AA- or higher.

The concentration constraints and minimum credit ratings for each type of investment apply to the initial purchase and do not automatically trigger a sale as the portfolio value fluctuates or in the event of credit rating downgrade. When a credit rating downgrade occurs, the District must evaluate the downgrade on a case-by-case situation to determine whether to hold or sell the security after further analysis of the credit rating on an ongoing basis and reported to the Investment Committee.

J. PROHIBITED INVESTMENTS AND INVESTMENT PRACTICES

The District is prohibited from:

1) Investment in reverse repurchase agreements;
2) Short sales (selling a specific security before it has been legally purchased);
3) Derivative Products
4) Investing in any security for which the investor must be a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933;
5) Asset Backed Securities, Mortgage-Backed Securities; including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICS); or
6) Equities

* Investments in instruments prohibited by this policy (but not prohibited by law) entered into prior to the date of execution of this policy shall be exempt/'grandfathered' from the prohibition.

K. MAXIMUM MATURITY

The District matches the maturities of its investments with its anticipated cash flow requirements and investment objectives. Accordingly, the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Investment maturities will target to coincide with the expected use of such funds in order to minimize the forced sale of securities prior to maturity.

The District develops investment strategies for each fund based on the specific fund's objectives, liquidity requirements, time horizon and risk tolerance as presented in the table below. These strategies seek to optimize the benefits to the District's investment performance over a complete market cycle without being reactive to short term changes in interest rates For purposes of this Investment Policy, assets of the District will be segregated into four categories based on expected liquidity needs and purposes: Liquidity Portfolio; Core Portfolio; and Other Portfolio.

Portfolio	Liquidity	Core	Other
Fund Objective	Unrestricted operating funds that provide for daily cash flow	Unrestricted operating excess liquidity funds and certain restricted reserves	Internally and externally restricted funds with options for longer time horizons
Purpose	Daily liquidity	Secondary liquidity	Funding of liabilities
Strategy	Ensure adequate cash for operations through investing in pool funds and high-quality securities. Utilize a benchmark that is consistent with the underlying assets. The liquidity component may be blended with the intermediate component and tracked to a customized benchmark.	Match maturities to known liabilities and match duration exposure based on interest rate risk tolerance. Utilize an intermediate market benchmark to manage the risk and return of the portfolio	Manage the risk and return components of the portfolio. Bond indentures may restrict the fund further than this policy. Maturities in certain restricted funds may be matched to needs
Target Duration	1 year or less	0 to 3 years	0 to 3 years
Maximum Single maturity in years	1 year	5 years	5 years

Maturities shall not exceed five (5) years, except for a specified purpose with official approval by the Investment Advisory Committee.

L. AUTHORIZED FINANCIAL INSTITUTIONS AND INVESTMENT ADVISORS

All Counterparties that desire to provide investment services to the District will be provided with current copies of the District's Investment Policy. Before an organization can provide investment services to the District, it must confirm in writing that it has received and reviewed the District's current Investment Policy.

BROKER-DEALERS. The District or its investment advisor must maintain and regularly review a list of all authorized broker-dealers that are approved to transact with the District for investment purposes. The District or its investment advisor must maintain and annually review documentation of proof appropriate licenses and financial statements of broker-dealers on the list.

Firms must meet the minimum requirements below to be eligible for consideration to serve as broker/dealers for the District. Final decision to approve a firm will be determined by Treasurer or his/her designee.

1) "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule);
2) Capital of at least $10,000,000;
3) Registered as a dealer under the Securities Exchange Act of 1934;
4) Member of the Financial Industry Regulatory Authority (FINRA);
5) Registered to sell securities in the District of Columbia;
6) Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years; and
7) Completed The Government of the District of Columbia Request for Information form.

INVESTMENT ADVISORS. The Office of Finance and Treasury may secure a contract with an external investment advisor to assist with the management of the District's investment portfolio in a manner that is consistent with the OCFO's business objectives, procurement rules, and this investment policy. Advisors must be registered under the Investment Advisers Act of 1940 and must act in a non-discretionary capacity, requiring approval from the District before all transactions. Advisors may be authorized to open accounts on behalf of the District with broker/dealers on the Districts' approved broker-dealer list. The District, in its sole discretion, reserves the right to add or remove broker-dealers to/from its approved broker-dealer list if the District determines that such action is in the District's best interest.

M. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Consistent with market best practices, documentation should be maintained on all investments purchased or sold.

- Competitive bids or offers should be obtained, when possible, from at least three separate brokers or financial institutions or by a nationally recognized trading platform. The District will accept the bid which: (a) offers the highest rate of return within the maturity required; (b) optimizes the investment objective of the overall investment portfolio, including diversification requirements.
- In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the treasurer or designee shall document quotations for comparable or alternative securities.
- When purchasing original issue securities, no competitive offerings are required, as all dealers in the selling group offer those securities at the same original issue price. The District is encouraged to document quotations on comparable securities.
- If the District uses an investment advisor to provide investment transaction services, the advisor must retain and provide the District documentation of competitive pricing execution on each transaction.

Securities are generally held to maturity with the following exceptions:

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

N. SAFEKEEPING AND CUSTODY

All trades of marketable securities, except money market mutual fund transactions, shall be conducted on a delivery versus payment (DVP) basis. Trades must be executed, cleared, and settled on a delivery versus payment basis to ensure that securities are deposited into the District's safekeeping institution before the release of funds.

The District must designate all safekeeping and banking arrangements and maintain an agreement of the terms executed in writing. The selection of safekeeping and banking partners must follow the District's formal procurement process and include an evaluation of the firm's economic viability. The third-party custodian is required to provide a monthly statement to the agency listing at a minimum each specific security, description, maturity date, market value, par value, purchase date, and CUSIP number

O. INVESTMENT OF BOND PROCEEDS

The proceeds of bonds issued by the District shall be invested in accordance with this Investment Policy. Bond proceeds used to fund other debt accounts will be invested in accordance with permitted investments outlined in the bond indenture. Notwithstanding the foregoing, bond proceeds will be invested in accordance with the list of permitted investments, if so specified, in the legislation that authorized the issuance of the bonds. Should there be a discrepancy between this Investment Policy and the authorizing legislation, the legislation will govern.

The District will comply with all applicable sections of the Internal Revenue Code, arbitrage rebate regulations and bond covenants with regard to the investment of bond proceeds. Accounting records will be maintained in a form and for a period of time sufficient to document compliance with these regulations.

P. INTERNAL CONTROLS

The Treasurer shall establish a framework of internal controls governing the administration and management of the District's investment portfolio, and these controls shall be documented in Office of Finance and Treasury's Policies and Procedures. Such controls shall be designed to prevent and control losses of District monies arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

The District will establish an annual process of independent review by an external auditor, which may be performed as part of the District's annual audit.

Q. INVESTMENT POLICY ADOPTION

This policy is adopted this 16th day of September, 2021.

Adopted by:

____
Carmen Pigler, District of Columbia Treasurer

____
Fitzroy Lee, Interim District of Columbia Chief Financial Officer

GLOSSARY

ACCRUE: To recognize revenues when earned and to recognize expenditures as soon as they result in liabilities for benefits received.

ASKED: The price at which securities can be purchased.

ASSET BACKED SECURITIES (ABS): Securities collateralized by assets that are not conforming mortgage loans. ABS structures have been structured as pass-throughs and as structures with multiple bond classes called pay-throughs. Common types of ABS are those backed by credit card receivables, home-equity loans, automobile loans and student loans.

BASIS POINT: The smallest measure used in quoting yields on bonds and notes. One basis point is 0.01 percent of yield. For example, a bond's yield that changed from 3.50 to 3.00 percent would be said to have moved 50 basis points.

BENCHMARK: A basket of securities that are similar to the investment criteria of the investment portfolio that is used to compare total return and yield performance over periods of time.

BID: The price at which securities can be sold.

BOOK ENTRY SECURITIES: Securities that are recorded in electronic records called book entries rather than as paper certificates.

BROKER: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

COLLATERAL: Securities, evidence of deposit or other property that 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.

DELIVERY VERSUS PAYMEMT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DELIVERY VERSUS RECEIPT: Delivery of securities with an exchange of a signed receipt for the securities. Also known as "free" delivery.

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

DISCOUNT: Amount (stated in dollars or a percent) by which the selling or purchase price of a security is less than its face amount.

DOWNGRADE: A negative change in credit ratings.

DURATION: The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates.

EFFECTIVE DURATION: A measure in years that reflects the price sensitivity given interest rate changes. This measure incorporates probabilities, calls, or options on the securities. For bonds, effective duration is also known option-adjusted duration, a measure of the bond's movement for a shift in the yield curve. For non-callable bonds, modified duration and effective duration are the same.

FEDERAL FUNDS: Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

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 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 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 5,700 commercial banks that are members of the system.

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 and the bid and the asked prices is narrow and 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.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase or reverse-repurchase agreements that establishes each party's rights in the transaction. 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.

MORTGAGE-BACKED SECURITIES (MBS): An instrument/security whose cash flow depends on the cash flows of an underlying pool of mortgages. There are three types of mortgage-backed securities: (1) mortgage pass-through securities, (2) collateralized mortgage obligations (CMO), and (3) stripped mortgage-backed securities (IO and PO).

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency which issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

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

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.

PAR VALUE: The nominal or face value of a debt security at maturity.

PERFORMANCE: An investment's return (usually total return) compared to a benchmark that is comparable to the risk level or investment objectives of the investment. The return incorporates both interest earnings and price change over a specified period.

PORTFOLIO: Collection of financial assets held by an investor.

PREMIUM: Amount (stated in dollars or a percent) by which the selling or purchase price of a security is more than its face amount.

PRINCIPAL: The invested amount on which interest is charged or earned.

PRIMARY DEALER: A group of government securities dealers that 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, and banks.

PRIME RATE: The rate which banks lend to their best or "prime" customers. Also known as the "reference rate."

PRINCIPAL: The invested amount on which interest is charged or earned.

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 District, 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 or the current income return.

SAFEKEEPING: A service to customers rendered by banks or trust companies for a fee whereby all securities and valuables of all types and descriptions are held in the bank's vaults for protection, or in the case of book entry securities, are held and recorded in the customer's name and are inaccessible to anyone else.

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

SECURITIES: Bonds, notes, mortgages, or other forms of negotiable or non-negotiable instruments.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds. This date may be the same as the trade date or later.

TENNESSEE VALLEY AUTHORITY (TVA): A U.S. corporation created in the 1930's to electrify the Tennessee Valley Area; currently a major utility headquartered in Knoxville Tennessee. TVA's securities are highly liquid and widely accepted.

TRADE DATE: The date of execution on which a transaction is initiated or entered into between a buyer and seller.

TOTAL RETURN: An investment performance measure over a stated period, which includes coupon interest, interest on interest, and any realized and unrealized gains or losses.

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 to cash.

WEIGHTED AVERAGE MATURITY: A weighted average of the expiration dates for a portfolio.

WHEN-ISSUED TRADES: Typically, there is a delay between the time a new bond is announced and sold, and the time when it is issued. During this interval, the security trades “WI”, “when, as, and if issued.”

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

YIELD CURVE: The graphical relationship between yield and maturity among bonds of different maturities and the same credit quality. This line shows the term structure of interest rates.

YIELD TO MATURITY: The rate of return yielded by a debt security held to maturity when both interest payments and the investor’s capital gain or loss on the security are considered.