GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Finance and Treasury
1275 K Street, NW, Suite 600
Washington, DC 20005

CASH & INVESTMENT MANAGEMENT INVESTMENT POLICY

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A. PURPOSE

The purpose of this Investment Policy is to set forth the requirements for the investment 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 District 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 (CAFR), with the exception of those financial assets explicitly excluded from coverage for legal or operational reasons. These 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's investment portfolio will be managed to accomplish the following hierarchy of objectives:

1. **Safety of Principal -** The single most important objective of the District's investment program is the preservation of principal of those funds within the investment portfolio.

2. **Maintenance of Liquidity** - The investment portfolio will be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as fund special projects and other operational requirements which are either known or which might reasonably be anticipated. This will be accomplished, to the extent possible, by

structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands and by investing the portfolio in securities with active secondary or resale markets.

3. **Maximizing Return** - The portfolio shall be managed in such a way as to maximize the return on investments within the context and parameters set forth by the safety and liquidity objectives above.

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, as amended (the "Act"), which governs the investment activities of the District of Columbia, the CFO is responsible for conducting the District's investment transactions. 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 D.C. Treasurer and 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

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 shall meet at least once every six months. The Committee will consist of six (6) 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 Operations and Banking; 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. If there is a Committee meeting and the CFO or designee is absent, the Treasurer shall serve as chairperson of such meeting. 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. In the event of a vote ending in a tie, the vote of the chairperson of the meeting shall be controlling.

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;
3) Meet periodically, at least semi-annually, to deliberate such topics as economic outlook, portfolio diversification and maturity structure, cash flow forecasts, potential risks, investment performance and the target rate of return on the investment portfolio.

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, and other employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees shall refrain from undertaking personal investment transactions with any individual with whom business is conducted on behalf of the District of Columbia.

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

In accordance with DC Law 12-56 and other applicable law, the District shall be permitted to invest in any of the following securities.

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. These securities shall be limited to a maximum final maturity of five (5) years at the time of purchase.

2. **Federal Agency Obligations.** Bonds, notes, debentures, or other obligations or securities issued by any 'AAA' (or equivalent) rated federal government agency or instrumentality, except Mortgage Backed Securities. These obligations shall be limited to a maximum final maturity of five (5) years at the time of purchase.

3. **Repurchase Agreements.** Contracts for the present purchase and subsequent resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the District. Such contracts shall be invested in only if the following conditions are met:
    a) the Repurchase Agreement has a term to maturity of no greater than ninety (90) days;
    b) the contract is fully secured by deliverable U.S. Treasury and/or Federal Agency obligations as described in paragraphs 1.and 2. above (without limit as to maturity), having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
    c) a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
    d) the securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for the District, provided such third party is not the seller under the repurchase agreement;
    e) a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the District;
    f) for repurchase agreements with terms to maturity of greater than one (1) day, the District will value the collateral securities daily and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the District will have the right to terminate the contract and require the principal to be returned, and if the principal is not immediately returned, the District will have the right to liquidate the collateral and retain the proceeds);
    g) the counterparty is a:
        i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
        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; and
    h) the counterparty meets the following criteria:

i. has a long-term credit rating of at least 'AA-' or the equivalent from a Nationally Recognized Statistical Rating Organization ("NRSRO") and does not have a "negative outlook" associated with such rating,
ii. has been in operation for at least 5 years, and
iii. is reputable among market participants.

4. **Commercial Paper.** Unsecured short-term debt of U.S. corporations may be purchased if the following conditions are met:
   a) the maturity is no greater than one hundred-eighty days (180) days;
   b) no more than thirty percent (30%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in commercial paper;
   c) the amount invested in any single issuing corporation will not exceed five percent (5%) of the total monies available for investment (based on book value on the date of acquisition);
   d) the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the NRSROs;
   e) the total holdings of an issuer's paper do not represent more than ten percent (10%) of the issuing corporation's total outstanding commercial paper;
   f) the issue is not asset-backed commercial paper.
   g) the maximum position size for any one commercial paper investment less than 30 days will be $40mm, terms greater than 30 days but less than 90 days will be limited to $25mm and investments longer than 90 days will be capped at $20mm.

5. **Bankers' Acceptances** issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System may be purchased if the following conditions are met:
   a) the maturity is no greater than two hundred-seventy days (270) days;
   b) the short-term paper of the issuer is rated not lower than 'A-1' or the equivalent by a NRSRO;
   c) no more than forty percent (40%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in bankers' acceptances; and
   d) the amount invested in any single bank will not exceed five percent (5%) of the total monies available for investment (based on book value on the date of acquisition).
   e) the maximum position size for any bankers' acceptance will be $25mm.

6. **Municipal Obligations.** Bonds, notes and other evidences of indebtedness of any state or local government upon which there is no default that meet the following criteria:
   a) have a final maturity on the date of investment not to exceed five (5) years;
   b) are rated in either of the two highest rating categories by a NRSRO, without regard to gradation; and

c) no more than twenty percent (20%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in Municipal Obligations.
d) the maximum position size for any municipal obligation will be $25mm.

7. F**ederally Insured or Collateralized Certificates of Deposit** (or other evidences of deposit) in state chartered banks or federally charted banks or foreign banks with domestic offices. 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 deposits, or $500,000. Collateralized certificates of deposit shall be collateralized at a minimum of 102%. No more than thirty percent (30%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in collateralized certificates of deposit. The maximum position size for any Collateralized Certificates of Deposit will be $30mm.

8. **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 provided that the fund is rated "AAAm" or "AAAm-G" or the equivalent by a NRSRO. 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.

   Before investing in any mutual fund, the District will obtain a copy of the fund's prospectus and review permitted investments, fees, and management.

I. PORTFOLIO DIVERSIFICATION

The District's Portfolio shall be diversified by security type and institution. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Treasury Obligations	100% maximum
Federal Agency Obligations	100% maximum
Repurchase Agreements	100% maximum
Commercial Paper	30% maximum
Bankers' Acceptances	40% maximum
Municipal Obligations	20% maximum
Negotiable Certificates of Deposit	30% maximum
Collateralized Certificates of Deposit	30% maximum
Money Market Mutual Funds	100% maximum
Bank Deposits	100% maximum

The District's Portfolio will be further diversified to limit the exposure to any one issuer. No more than five percent (5%) of the District's Portfolio will be invested in the securities of any single issuer with following exceptions:

U.S. Treasury	100% maximum
Each Federal Agency	40% maximum
Each Repurchase Agreement Counterparty	25% maximum
Each Money Market Mutual Fund	25% maximum

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) Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
4) Investment in complex derivatives and securities such as auction-rate notes, range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices;
5) 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;
6) Asset Backed Securities
7) Mortgage Backed Securities; including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICS); or
8) Investing in any security not specifically permitted by this Investment Policy.

* 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 from the prohibition (i.e., shall be "grandfathered"), but no additional such investments shall be entered into.

K. MAXIMUM MATURITY

Maintenance of adequate liquidity to meet the cash flow needs of the District is essential. Accordingly, the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities will be consistent with the known cash requirements of the District in order to minimize the forced sale of securities prior to maturity.

For purposes of this Investment Policy, assets of the District will be segregated into four categories based on expected liquidity needs and purposes: short-term operating monies; the core portfolio; bond proceeds; and restricted funds.

Short-Term Operating Monies. Assets categorized as short-term monies will be invested in permitted investments maturing in twelve (12) months or less. Because of the difficulties inherent in accurately forecasting cash flow requirements, a portion of the portfolio will be continuously invested in readily available funds such as money market mutual funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Core Portfolio. The operating fund core portfolio, to the extent that there are sufficient funds for such category, will be invested in permitted investments with a stated final maturity of not more than five (5) years from the date of purchase. To manage the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three (3) years.

Bond Proceeds. Proceeds from the sale of bonds will be invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum maturity of the securities purchased. However, in no case will bond proceeds be invested in securities with a term to maturity that exceeds the expected disbursement date of those monies.

Bond proceeds applied to debt service reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investment is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with maturities exceeding five years must be disclosed in each instance in writing to the Investment Advisory Committee, and the Investment Advisory Committee must approve of such investment.

Restricted Funds: The District has various funds that are required to be segregated from operating funds for various purposes. Such funds shall be invested in accordance with any specific requirements associated with them, and for durations consistent with the timeframes of their expenditure/use. Maturities shall not exceed five (5) years, except for a specified purpose with official approval by the Investment Advisory Committee.

L. COLLATERALIZATION OF BANK DEPOSITS

The District requires that all cash and other deposits maintained in any financial institution be collateralized, including bank deposits and certificates of deposit. 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.

In order to accommodate market changes and provide a level of security for all monies, the 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. Collateral will always be held by an independent third-party custodian. A clearly 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.

M. SELECTION OF BROKERS AND QUALIFIED FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of financial institutions and broker/dealers that are approved for investment purposes (“Qualified Institutions”). All Qualified Institutions 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.

Qualified Institutions will supply the District with information sufficient to adequately evaluate their financial capacity and creditworthiness. The following information, as applicable, will be provided: (i) audited financial statements; (ii) regulatory reports on financial condition; (iii) proof of National Association of Security Dealers certification and of state registration; and (iv) any additional information requested by the Treasurer in evaluating the creditworthiness of the institution.

Only firms meeting the following requirements will be eligible to serve as broker/dealers for the District:

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 National Association of Dealers (NASD);
5) Registered to sell securities in the District of Columbia; and
6) Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years.
7) Completed The Government of the District of Columbia Request for Information form.

The District shall conduct an annual review of the financial condition and registrations of Qualified Institutions, and shall produce an updated list of Qualified Institutions on at least an annual basis.

N. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

All securities purchases and sales will be transacted only with Qualified Institutions through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers, taking into consideration current market conditions. Electronic bids will be accepted. 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. When selling a security, the District will select the bid that generates the highest sale price.

Deposits made with banks and investments in other instruments will be evaluated in accordance with DC Law 12-56, "Financial Institutions Deposit and Investment Amendment Act of 1997" (the "Act").

O. SAFEKEEPING AND CUSTODY

All investment securities purchased by the District or held as collateral on deposits or investments shall be held by the District or by a third-party custodial agent that may not otherwise be a counterparty to the investment transaction. Clear indication that District securities/collateral are held at a Federal Reserve Bank in the account of, or for benefit of, the District is sufficient.

All securities in the District's investment portfolio will be held in the name of the District and will be free and clear of any lien. Further, all investment transactions will be conducted on a delivery-vs.-payment basis. The custodial agent shall issue a safekeeping receipt to the District listing the specific instrument, rate, maturity, and other pertinent information. On a monthly basis, the custodial agent will provide reports that list all securities held for the District, the book value of holdings, and the market value as of month-end.

District officials and representatives of the custodial agent responsible for, or in any manner involved with, the safekeeping and custody process of the District shall be bonded in such a manner as to protect the District from losses from malfeasance and misfeasance.

Original copies of certificates of deposit and confirming copies of all other investment transactions must be delivered to the District or its custodial agent.

P. INVESTMENT OF BOND PROCEEDS

The proceeds of bonds issued by the District shall be invested in accordance with this Investment Policy. 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 of 1986, 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.

Q. CONFLICTS WITH THE INVESTMENT POLICY

The investment limitations established by this Policy will apply at the time a security is purchased and will be based on the then-current book value. Should a subsequent event cause a security or the investment portfolio to no longer meet the specifications of the Investment Policy, the Treasurer will determine the appropriate course of action. There is no requirement that a security be sold prior to maturity if it no longer meets the criteria set forth in this Investment Policy. Further, any security held by the District at the time this Investment Policy was adopted may be held to its maturity.

R. 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 writing. 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.

S. RECORDS AND REPORTS

The Treasurer will submit an investment report to the Investment Advisory Committee on a quarterly basis. This investment report shall include: (i) a listing of the existing Portfolio in terms of investment instruments, maturity dates, yields, market values and other features deemed relevant, (ii) the total investment earnings for the reporting period; (iii) a summary of transactions executed during the quarter; and (iv) an affirmative statement of compliance with this Investment Policy and any applicable bond resolutions.

T. PERFORMANCE STANDARDS

The investment portfolio will be designed to obtain at least a market level rate of return, given budgetary and economic cycles, commensurate with the District's investment risk and cash flow needs. The District's portfolio management approach will be active, allowing periodic restructuring of the investment portfolio to take advantage of current and anticipated interest rate movements. The returns on the District's investments will be compared on a quarterly basis to indices of U.S. Treasury securities having similar maturities and to other appropriate benchmarks. For funds having a weighted average maturity greater than 90 days, performance will be computed on a total return basis. For funds with a weighted average maturity less than 90 days, performance will be compared against the Standard & Poor's Local Government Pool Index.

U. INVESTMENT POLICY ADOPTION

This policy is adopted this ____ day of November, 2008.

Adopted by:

____

District of Columbia Treasurer

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.

ACRONYMS: Acronyms are groups of initials used to avoid repetitive writing or speaking of frequently used titles or phrases. Some of the more common acronyms used in the District of Columbia are as follows:

CAFR	Comprehensive Annual Financial Report	**IRB**	Industrial Revenue Bonds
CAPPS	Comprehensive Automated Personnel Payroll System	**MPD**	Metropolitan Police Department
CCNV	Community for Creative Non-Violence	**NCRA**	National Capital Revitalization Act
CDBG	Community Development Block Grants	**NPS**	Non-Personal Services
CFO	Chief Financial Officer	**NRSRO**	Nationally Recognized Statistical Rating Organization
CIP	Capital Improvement Plan	**OBP**	Office of Budget and Planning
CMHS	Commission on Mental Health	**OCFO**	Office of the Chief Financial Officer
CRT	Capital Review Team	**OCTO**	Office of the Chief Technology Officer
DCFRA	District of Columbia Financial Responsibility Authority	**OFT**	Office of Finance and Treasury
DCPS	District of Columbia Public Schools	**OTR**	Office of Tax and Revenue
DHCD	Department of Housing and Community Development	**OMB**	Office of Management and Budget
DOT	Department of Transportation	**PAYGO**	Pay-As-You-Go Financing
DPW	Department of Public Works	**PBC**	Public Benefit Corporation
FHWA	Federal Highway Administration	**PDF**	Project Description Form
FRI	Facilities Rehabilitation Initiative	**PS**	Personal Services
FTE	Full-Time Equivalent	**RFP**	Request for Proposal
FY	Fiscal Year	**SOAR**	System of Accounting and Reporting
GAAP	Generally Accepted Accounting Principals	**TIF Bonds**	Tax Incentive Finance Bonds
GO Bonds	General Obligation Bonds	**WMATA**	Washington Metropolitan Area Transit Authority
GPRA	Government Performance and Results Act		

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.

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

BASIS PIONT: A basis point equals one one-hundredth of 1% (.01%).

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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the District of Columbia. It includes five combined statements and basic financial statements for each individual fund and account group 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 detail statistical section.

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

COMMERCIAL PAPER (CP): An unsecured promissory note with a fixed maturity no longer then 270 days. Public offerings are exempt from SEC regulation. The largest issuers include General Motors Acceptance Corporation (GMAC), General Electric Capital Corporation (GECC) and other major corporations.

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

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (e.g., U.S. Treasury Bills, Commercial Paper).

FANNIE MAE (FNMA): FNMA was chartered under the Federal National Mortgage Association Act of 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. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest. Previously known as the "Federal National Mortgage Association."

FEDERAL AGENCY: Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets. The largest Federal Agencies are GNMA, FNMA, FHLMC, FHLB, FFCB, and TVA.

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 COMPANY (FDIC): A Federal agency that insures financial institutions' deposits, currently up to $100,000 per deposit.

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 HOME LOAN BANKS (FHLB): One of the large Federal Agencies. FHLB consists of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market.

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.

FREDDIE MAC (FHLMC): A U.S. corporation and instrument of the U.S. Government. Through its purchases of conventional mortgages, it provides liquidity to the mortgage markets, much like FNMA. FHLMC assumes and guarantees that all security holders will receive timely payment of principal and interest. Previously known as “Federal Home Loan Mortgage Corporation.”

GOVERNMENTAL NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities are primarily insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). The term pass through is often used to describe Ginnie Mae mortgages.

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.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded, typically with initial maturities of less than 1 year

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.

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 financial assets held by an investor.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements 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."

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.

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.

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 at 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 the buyer for this.

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.

SEC RULE 15C3-1: See uniform net capital rule.

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.

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 or six months.

TREASURY BONDS: Long-term U.S. Treasury securities having initial maturities or more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities from two to ten 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.

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.

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

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