

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL WORKSHOP
FEBRUARY 12, 2008 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Amendments to Cash Management and Investment Policy	✓ Resolution Ordinance Motion Discussion Only	Judy Buttny Finance Director

SYNOPSIS

A resolution has been prepared to amend the Village Council’s Cash Management and Investment Policy.

STRATEGIC PLAN ALIGNMENT

The Five Year plan and Goals for 2007-2012 identified *Exceptional Municipal Organization*. A supporting objective of this goal is *Financially Sound and Sustainable Village Government*.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval on the February 19, 2008 consent agenda.

BACKGROUND

The current Cash Management and Investment Policy approved by the Village Council became effective on January 16, 2007. The purpose of this proposed revision is to further clarify the policy as adopted last January and is meant to enhance, improve and clarify the policy without creating any additional risk to the Village. Staff has consulted with the Village’s investment advisor, PMA, as well as other investment organizations to assist in the proposed amendment to this policy.

On January 21, 2007, the Finance and Administrative Standing Committee of the Village Council reviewed the conceptual changes to the Cash Management and Investment Policy in detail and expressed their support for the strategies.

The proposed amendment would:

- Change all references to the *Village Senior Director of Finance and Administrative Services* to the *Finance Director/Treasurer*.
- State the Village will comply with Federal arbitrage regulations regarding the investment of municipal bond proceeds (Section 1.2).
- Require all financial institutions which desire to perform investment services for the Village to submit two years of audited financial statements, call reports and financial ratings (Section 4.1).
- Permit the Village to invest in Public Funds, such as municipal bonds (Section 5.1).
- Clarify that the Village is permitted to invest in Governmental Money Market funds. This amendment would make the policy consistent with current Village practice (Section 5.1).
- Require that interest on Village Certificates of Deposit (CD) must be collateralized and to limit the amount of CD principal and interest to \$100,000 unless collateralized or insured (Section 5.1).
- Permit the Village to collateralize funds on deposit in excess of FDIC limits with obligations of municipalities in Illinois (Section 5.2).

- Increase the maximum maturity of Village investments from 36 months to 42 months. This amendment would allow the Village greater flexibility in managing cash flow and would make Village investment practices consistent with financial products currently available in the market (Section 6.2).
- Improve the Finance Director's monthly investment report to the Village Manager. This amendment would make the policy consistent with current Village practice (Section 7.1).

Upon Village Council approval of the proposed amendments to the Cash Management and Investment Policy, the Village Manager will issue an Administrative Regulation regarding Cash Management and Investments. This Administrative Regulation will serve as the Village's Cash Management and Investment Program. On January 21, 2007, the Finance and Administrative Standing Committee of the Village Council reviewed the conceptual changes to this administrative process and expressed their support for the strategies. The Administrative Regulation will:

- Allow for the use multiple qualified financial institutions to manage Village investments (currently only one financial institution, PMA Financial Network, Inc. manages the majority of Village investments)
- Establish formal requirements for participation, to complement and enhance the Village Council's Cash Management and Investment Policy.
- Allow local financial institutions to participate in Village investments, and in some cases receive preference for investing the Village's funds.
- Create a bidding process whereby the Village will receive multiple bids for each investment opportunity.
- Create an easy-to-use system generated via e-mail, with time constraints and response constraints so all institutions are treated equally.
- Allow for some flexibility in investing so the Village can maintain some dynamic liquidity by choosing a type of investment over a higher yield.

ATTACHMENTS

Proposed Investment Policy

Glossary



Village of Downers Grove

Official Village Policy Approved by Village Council

Description:	Cash Management and Investment Policy	
Res. or Ord. #:	Res. <u>2007-04</u>	Effective Date: <u>1/16/07</u><u>02/19/08</u>
Category:	Financial Services	
	<input type="checkbox"/> New Council Policy	
	<input checked="" type="checkbox"/> Amends Previous Policy Dated:	<u>5/8/95, 8/23/99; 07-04</u>
	Description of Previous Policy (if different from above):	

RESOLUTION NO. 2007-04

A RESOLUTION AMENDING VILLAGE COUNCIL CASH MANAGEMENT AND INVESTMENT POLICY

WHEREAS, the Village Council has previously accrued a cash management and investment policy, most recently set forth in Resolution 07-04 adopted 01/16/07, Resolution 99-62 adopted 8/23/99 and previously in Resolution 95-19 adopted May 8, 1995; and

WHEREAS, the Village Council has recently reviewed this policy and desires to make certain changes thereto.

NOW, THEREFORE, BE IT RESOLVED by the Village Council of the Village of Downers Grove as follows:

SECTION 1. That the Cash Management and Investment Policy adopted pursuant to Resolution 99-62 be and is hereby repealed and replaced as provided herein.

SECTION 2 That the Village Council hereby adopts the Village of Downers Grove Investment Policy dated ~~January 16, 2007~~ February 19, 2008, attached hereto as Exhibit 1.

SECTION 3. That all resolutions or parts of resolutions in conflict with the provision of this resolution are hereby repealed.

SECTION 4 That this resolution shall be in full force and effect from and after its passage as provided by law.

Brian J. Krajewski **Ronald L. Sandack**, Mayor

Passed: January 16, 2007 February 19, 2008

Published: January 16, 2007 February 19, 2008

Attest: _____

Village Clerk

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Village of Downers Grove
Exhibit I
Investment Policy
as of 02/19/08

1.0 POLICY AND SCOPE

1.1 Introduction.

The intent of this Investment Policy is to outline a plan for ensuring prudent investments of the Village of Downers Grove (Village) funds and maximizing the efficiency of the Village's cash management procedures. The goal is to invest public funds in a manner that will provide the maximum security and the highest investment return while meeting both the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, *in particular, Statute 30 ILCS 235, the Public Funds Investing Act.*

All participants in the Village's investment process shall act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall investment program shall be designed and managed with a degree of professionalism that is worthy of public trust.

The outline of this Policy is as follows:

- 1.0 Policy Introduction and Scope
- 2.0 General Objectives
- 3.0 Standards of Care
- 4.0 Safekeeping and Custody
- 5.0 Suitable and Authorized Investments
- 6.0 Investment Parameters
- 7.0 Reporting
- 8.0 Policy Considerations

1.2 Scope.

This Policy applies to all financial assets of The Village of Downers Grove under the direct management by the ~~Village Senior Director of Finance and Administrative Services~~ *Finance Director/Treasurer*, including those of the Downers Grove Library, with the following exceptions:

- The policy for the Village of Downers Grove Police Pension Fund, and The Village of Downers Grove Fire Pension Fund will be determined by the appropriate Boards of Administration and not covered by this Policy.
- Funds set aside to decrease Village debt in conjunction with an advance refunding agreement will be invested in accordance with appropriate bond documents and not necessarily in compliance with this Policy.
- Should bond covenants be more restrictive than this Policy, funds will be invested in full compliance with those restrictions.
- *Funds set aside for construction/infrastructure improvement generated from a Village bond issue will be invested so as not to create an arbitrage issue for the Village.*
- The financial assets covered by this Policy are accounted for in the Village's annual Comprehensive Annual Financial Report and include:

1.3 Funds

1.3.1 General Fund

1.3.2 Special Revenue Funds

1.3.3 Capital Project Funds

1.3.4 Enterprise Funds

1.3.5 Trust and Agency Funds

1.3.6 Any new fund created by the Village Board, unless specifically exempted above.)

2.0 GENERAL OBJECTIVES

The primary objectives of Village investment activities, ~~in order of priority~~, shall be legality, safety, liquidity and yield.

2.1 Legality.

The Village's investment activities will be in compliance with all statutes governing the investment of public funds and will conform to federal, state and other legal requirements.

2.2 Safety.

Safety refers to the preservation of capital and protection of investment principal. The protection of investment principal is the foremost objective of the investment program. Village investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by mitigating credit risk and interest rate risk.

2.2.1 Credit Risk.

Credit risk is the risk of loss due to the failure of the security issuer or backer.

The objective will be to minimize credit risk by:

- Limiting investments to the safest type of securities,
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business, and
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized. Diversification reduces the risk that potential losses on individual securities might exceed the income generated from other investments.

2.2.2 Interest Rate Risk.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates.

The objective will be to minimize interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby ~~avoiding~~ *minimizing* the need to sell securities on the open market prior to maturity, and
- Investing operating funds primarily in shorter-term securities, *or cash funds*.

2.3 Liquidity.

Liquidity is the availability of sufficient funds to meet operating requirements.

The objective will be for the investment portfolio to remain sufficiently liquid to meet all operating requirements

that may be reasonably anticipated. The Village will maintain sufficient liquidity by:

- Structuring the portfolio so that securities mature concurrent with the cash needs to meet anticipated demands (static liquidity), and
- Since all possible cash demands cannot be anticipated, the Village portfolio will consist largely of securities with active secondary or resale markets (dynamic liquidity), and
- Utilizing qualifying money market mutual funds or local government investment pools which offer same-day liquidity for short-term investment.

2.4 Yield

Yield is the return on investments. Return on investment is of secondary importance compared to the

legality, safety and liquidity objectives described above.

The objective will be to attain a market rate of return over the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs of the Village. The Village will accomplish this objective by:

- Limiting the core of investments to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed,
- Holding securities to maturing with the following exceptions:
 - 1) a declining credit security could be sold early to minimize loss of principal; or
 - 2) a security swap would improve the quality yield, or target duration in the portfolio; or
 - 3) liquidity needs of the portfolio require that the security be sold.

3.0 STANDARDS OF CARE

3.1 Prudence

Village 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.

3.1.1 Prudent person standard

The standard of prudence to be used by investment officials for The Village of Downers Grove shall be the “**prudent person**” standard and shall be applied in the context of managing an overall portfolio. ~~Senior Director of Finance and Administrative Services/Treasurers~~ *Finance Director/Treasurer* acting in accordance with written procedures, this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3.2 Ethics and Conflicts of Interest

The Village of Downers Grove shall avoid conflicts of interest by:

- Requiring that both officers and employees, who are involved with the Village investment process, disclose:
 - 1) any material interests in financial institutions with which The Village of Downers Grove conducts business, and
 - 2) Any personal financial/investment positions that could be related to the performance of the investment portfolio.
- Establishing that both officers and employees involved in the Village investment process shall refrain from personal business activity that could conflict with the proper execution and management of the Village’s investment program, or that could impair their ability to make impartial decisions.,~~and~~

3.3 Delegation of Authority.

The operation of the Village investment program is the responsibility of the ~~Senior Director of Finance and Administrative Services/Treasurer~~ *Finance Director/Treasurer* who shall establish written procedures for the operation of the Village investment program consistent with this investment policy.

3.3.1 Written Investment Procedures.

- The written procedures shall include references to:
 - Safekeeping,
 - Delivery vs. Payment
 - Investment accounting
 - Repurchase agreements
 - Wire transfer agreements

- Collateral/depository agreements, and
- Banking service contracts
- A definition of Credit Worthiness, (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operations) for qualified bidders for investment transactions with the Village.

The procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the established written investment procedures. The ~~Senior Director of Finance and Administrative Services/Treasurer~~ *Finance Director/Treasurer* shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The written procedures may be amended from time to time in a manner not inconsistent with this Policy or with state statutes.

4.0 SAFEKEEPING AND CUSTODY

4.1 Authorized Financial Dealers and Institutions

4.1.1 Qualifications of other Financial Institutions and security brokers/dealers.

~~The Senior Director of Finance and Administrative Services/Treasurer~~ *The Finance Director/Treasurer* will maintain a list of qualified and approved financial institutions authorized to provide investment services., who maintain an office in the State of Illinois. No public deposit shall be made except to a qualified public depository as established by Illinois State Statutes. The list of approved security brokers/dealers may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (Uniform Net Capital Rule). Furthermore, employees of any firm or financial institution offering securities or investments to the Village are expected to be trained in the precautions appropriate to public-sector investments and are expected to familiarize themselves with the Village’s investment objectives, policies, and constraints. These firms and financial institutions are expected to make reasonable efforts to preclude imprudent transactions involving Village funds.

All financial institutions and broker/dealers who desire to perform investment services for the Village must supply ~~the Senior Director of Finance and Administrative Services/Treasurer~~ *the Finance Director/Treasurer* with the following:

- ~~Most recent~~ *Two years* audited financial statements
 - *Rating*
 - *Two years of call reports*
- Proof of National Association of Security Dealers (NASD) certification
- Proof of state registration
- Certification of having read, understood and agreeing to comply with the Village’s investment policy
- Depository contracts, as appropriate.

4.1.2 Maintenance of Authorized Status

~~The Senior Director of Finance and Administrative Services/Treasurer~~ *Finance Director/Treasurer* will conduct an ~~annual~~ *periodic* review of financial condition and registration of qualified financial institutions and broker/dealers.

4.2 Internal Controls

The ~~Senior Director of Finance and Administrative Services/Treasurer~~ *Finance Director/Treasurer* is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of The Village of Downers Grove are protected from loss, theft or misuse.

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 internal controls shall address the following points:

- Clear delegation of authority to subordinate staff members
- Custodial safekeeping
- Written confirmation of transactions for investments and wire transfers
- Development of a procedure for making wire transfers

4.3 Delivery vs. Payment (DVP)

Delivery vs. Payment is the delivery of securities with an exchange of money, not just a sign receipt, for

the securities. All security transactions, including collateral for repurchase agreements, entered into by The Village of Downers Grove shall be conducted on a delivery vs. payment basis to ensure that securities are deposited in an eligible financial institution prior to the release of funds. The securities will be held by a third-party custodian and will be evidenced by safekeeping receipts.

5.0 SUITABLE AND AUTHORIZED INVESTMENTS

5.1 Investment types

The Village of Downers Grove is empowered to invest in certain types of securities as detailed in State Statute 30 ILCS 235/2. This Policy authorizes the Village to invest in the following investment types; a restricted selection of the State authorized investments.

- **Obligations of the United States of America, *or its agencies*, as indicated below:-**

U.S. Government bonds, notes, certificates of indebtedness, treasury bills, treasury strips or other securities, ~~including obligations of the Governmental National Mortgage Association, which~~ are guaranteed by the full faith and credit of the Government of the United State of America as to principal and interest, ~~or~~ Other similar obligations of the United States of America or its agencies including obligations of the Governmental National Mortgage Association are approved by the Government of the United States of America and which have a liquid market with a readily determinable market value;

- **Direct obligations of institutions defined in Illinois Banking Act and insured by the Federal Deposit Insurance Corporation (FDIC).**

Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits or any other investment constituting direct obligations of any institution as defined by the Illinois Banking Act and is insured by the FDIC. Any such investment shall not exceed FDIC insurance limitations of \$100,000 including principal and interest. Exceptions are provided in Section 5.2.

- **Commercial Paper.**

Short-term obligations of corporations (commercial paper) organized in the United States with assets exceeding \$500 million and rated at the time of purchase at the highest classification established by at least two standard rating services. These must mature within 180 days from the date of purchase. Such purchases may not exceed 10% of the corporation's outstanding obligations and no more than ~~25%~~ 10% of the Village's funds may be invested in commercial paper.

- **Savings and Loan Institution obligations**

Short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally offered by saving and loan associations incorporated under the laws of this state or any other state or under the laws of the United States. Investments

may be made only in those savings and loan associations of which the shared, or investment certificates are insured by the FDIC.

- **Local government investment pools**

Local government investment pools, either administered by the State of Illinois or through joint powers statutes and other intergovernmental agreement legislation.

- **Public Funds**

Interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or of any other state, or of any political subdivision or agency of the State of Illinois or of any other state. Such purchases may not exceed 10% of the Villages funds.

- **Government Money Market Funds**

Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to investments in obligations of the United States of America or its agencies, or repurchase of such obligations.

5.2 Collateralization

It is the policy of The Village of Downers Grove, ~~and in accordance with~~ as recommended by State Statute and GFOA Recommended Practices on the Collateralization of Public Deposits, that Village funds on deposit in excess of FDIC limits be secured by some form of collateral or separate insurance, witnessed by a written agreement and held by an independent third-party institution in the name of the Village of Downers Grove. The Village can accept any of the following assets as collateral:

- Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Obligations of the State of Illinois and municipalities of Illinois
- Separate Insurance through a Triple A rated provider.

The Village reserves the right to accept or reject any form of the above named securities.

The Village also requires that all depositories that hold Village deposits in excess of the FDIC limits must agree to utilize the Village's Collateralization ~~Agreement~~ requirements listed below.

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of the fair market value of collateral to the amount of funds secured will be reviewed monthly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level.

Pledged collateral will be held in safekeeping, by an independent third-party ~~depositor,~~ custodian, or the Federal Reserve Bank of Chicago, designated by the Village and evidence by a safekeeping agreement. The bank will provide the Village a copy of the Board minutes that approved the collateralization. Each time collateral is changed, it must be approved by the Village. The change must be recorded in the Bank Board Minutes and a copy of the Minutes must be furnished to the Village.

Collateral agreements will preclude the release of the pledged assets without an authorized signature from the Village of Downers Grove.

~~The Village realizes that there is a cost factor involved with collateralization and the Village will pay reasonable and customary fees related to the collateralization, per the collateralization agreement.~~

6.0 INVESTMENT PARAMETERS

6.1 Diversification

Diversification related to types of investments, number of institutions invested in, and the length of maturity for investments. It is the policy of The Village of Downers Grove to diversify its investments to the best of its ability based on the types of funds invested and the cash flow needs of those funds.

The investment portfolio for the Village of Downers Grove shall not exceed the following diversification limits unless specifically authorized by the Village Council:

- No financial institution shall hold more than 40% of the Village's investment portfolio, exclusive of U.S. Treasury securities in safekeeping.
- Monies deposited at a financial institution shall not exceed 75% of the capital stock and surplus of that institution.
- Commercial paper shall not exceed 10% of the Village's investment portfolio, excepting bond issue proceed investments.
- Deposits in any one public investment pool shall not exceed 50% of the Village's investment portfolio, provided, however, that a 3% in excess of 50% deviation may result due to daily volatility, on any given day. In this event, staff shall continue to monitor the balance to ensure that no audit management letter comment should be generated as a result of this allowable deviation.

6.2 Maximum Maturities

To the extent possible, the Village will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three *and a half* years from the date of purchase.

Reserved funds may be invested in securities exceeding three *and a half* years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

7.0 REPORTING

7.1 Methods

The ~~Senior Director of Finance and Administrative Services/Treasurer~~ *Finance Ddirector/Treasurer* shall provide an investment report to the Village Manager on a monthly basis. It will include a succinct management summary.

~~The management summary will provide a clear picture of the status of the current investment portfolio, and the investment transactions made over the month. It will summarize recent market conditions, economic developments, anticipated investment conditions and will describe the investment strategies employed in the most recent period. It will be prepared in a manner that will allow the Village management to ascertain whether investment activities during the reporting period have conformed to this investment policy.~~

The investment report will include the following:

- A listing of individual securities held at the end of the reporting period, by maturity date.
- The percentage of the total portfolio which each type of investment represents.

8.0 POLICY CONSIDERATIONS

8.1 Exemption

Any investment currently held that does not meet the guidelines of this Policy shall be exempted from the requirements of this investment policy. At maturity or liquidation, such monies shall be reinvested only as provided by this investment policy.

8.2 Adoption & Amendments

The Village of Downers Grove's investment policy shall be adopted by resolution of the Village Council and will replace previous investment policies adopted by the Village Council.

In the event that any state or federal legislation or regulation should further restrict instruments, institutions or procedures authorized by this Policy, such restrictions shall be deemed to be immediately incorporated in this Policy. If new legislation or regulation should liberalize the permitted instruments, institutions or procedures, such changes shall be available and included in this Policy only after written notification to the Village Council and their subsequent approval of said changes.

The Senior Director of Finance and Administrative Services/Treasurer *Finance Director/Treasurer* shall review this Policy on as needed basis and the Village Council must approve any modifications made thereto.

GLOSSARY

- Arbitrage – the interest rate differential that exists when proceeds from a municipal bond, which is tax-free and carries a lower yields, are invested in taxable securities with a yield that is higher. The 1986 Tax Reform Act made this practice by municipalities illegal solely as a borrowing tactic.
- Basis point – One one-hundredth of one percent (1/100% or .01 percent) for example, 25 basis points equal one-quarter of one percent, 100 basis points equal one percent.
- Call Reports – Reports filed by banks on a quarterly basis. The Call report collects basic financial data of commercial banks in the form of a balance sheet, an income statement, and supporting schedules
- Collateral – this is an asset that is pledged to cover an investment in the case of forfeiture or insolvency of the borrower. Our policy is meant to secure any cash invested that does not have FDIC or insurance coverage.
- Commercial Paper (CP) – is a short-term promissory note issued by large banks and corporations. CP is commonly bought by money funds and is regarded as a very safe investment. Maturities do not exceed 270 days.
- Custodian – a financial institution responsible for the safeguarding of assets. Custodians or a custodian bank will hold assets such as equities and bonds and arrange for the settlement of any purchases or sales of those securities.
- Delivery vs. Payment (DVP) – used to reduce risk in the settlement of a financial transaction. Matches the taking title to an asset with the payment for that asset. In the U.S. usually facilitated through an agency such as DTC (Depository Trust Corporation).
- Government Investment Pool - a state or local government pool offered to public entities for the investment of public funds.
- Government National Mortgage Association – A government owned agency which buys mortgages from lending institutions, securitizes them and then sells them to investors.
- Money market funds – mutual fund that invests in short-term, liquid securities. Government money market funds strictly invest in U.S. government securities or agencies.

- Obligation (Bond, Note, Bill) – a debt security in which the authorized issuer owes the holders a debt and is obliged to repay the principal and interest at a later date. Bond terminology:
 - Issuer = Borrower
 - Bond Holder = Lender
 - Coupon = Interest
 - Bonds = 10 yr. or longer maturity
 - Note = 1-10 yr. maturity
 - Bill = Less than 1 yr. maturity

- Repurchase Agreement (Repo) – simultaneous transaction between a buyer of securities (investor) and a bank or securities dealer. In a rep transaction, the investor exchanges cash for temporary ownership of securities, with the agreement that the securities will be “repurchased” on a certain date and at a specified interest rate.

- Treasury Securities – highly liquid marketable securities whose principal and interest are fully guaranteed by the U.S. Government.