

CDIAC

CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION

# THE PUBLIC INVESTMENT PORTFOLIO:

## PART 2: MONEY MARKETS CERTIFICATES OF DEPOSIT, DEPOSIT PLACEMENT SERVICES, AND COLLATERALIZED BANK DEPOSITS

DEBORAH M. HIGGINS, PRESIDENT, HIGGINS CAPITAL

JOHN JOHNSON, CHIEF DEPUTY TREASURER,  
COUNTY OF SAN BERNARDINO

September 9, 2015

10:00 AM – 11:30 AM

# Disclaimer

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The information presented in this webinar series is intended to assist public investment professionals. The content presented is informational and does not constitute investment advice or the recommendation to invest in any or all of the investment instruments discussed. When choosing an investment instrument for a public portfolio, the whole portfolio, investment policy, suitability, financial needs of the public agency and any associated risks should be considered. In addition, the information in each webinar is set to reflect the period in time in which it is presented and any changes that may affect any of the instruments discussed, such as legislation, reform or market conditions, or that may alter the relevancy of any of these webinars, will not be reflective in the post archival recordings. In such instances, viewers should be advised to use the information only as a reference as no updates to the recordings will be made. Please consult the California Debt and Investment Advisory Commission's publication *Local Agency Investment Guidelines* for any interpretive updates.

# Certificates of Deposit, Deposit Placement Services, and Collateralized Bank Deposits

The format will follow CDIAC's 2015 Local Agency Investment Guidelines (LAIG) Table in the next slide. For informational purposes, you can access the Guidelines at:

<http://www.treasurer.ca.gov/cdiac/laig/guideline.pdf>

# LAIG Allowable Investment Table

(excerpts from Figure 1 pg. 14)

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INVESTMENT TYPE	MAXIMUM MATURITY <sup>c</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>d</sup>	MINIMUM QUALITY REQUIREMENTS
✓ Negotiable Certificates of Deposit	5 years	30% <sup>j</sup> (combined with placement service CDs)	None
✓ Non-negotiable Certificates of Deposit	5 years	None	None
✓ Placement Service Deposits	5 years	30% <sup>j</sup> (inclusive of placement service CDs)	None
✓ Placement Service Certificates of Deposit	5 years	30% <sup>j</sup> (combined with negotiable CDs)	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>k</sup>	20% of the base value of the portfolio	None <sup>l</sup>
Medium-Term Notes <sup>m</sup>	5 years	30%	"A" Rating
Mutual Funds And Money Market Mutual Funds	N/A	20% <sup>n</sup>	Multiple <sup>o,p</sup>
✓ Collateralized Bank Deposits	5 years	None	None

# Table of Notes for Figure 1

6

- *(J) No more than 30 percent of the agency's money may be invested in deposits, including CDs, through a placement service. No more than 30 percent of the agency's money may be invested in CDs through a placement service and negotiable CDs. Sections 53601.8, 53635.8, and 53601 (i). Excluding purchases of certificates of deposit pursuant to section(s) 53601.8 and 53635.8, no more than 10 percent of the agency's money may be invested with any one private sector entity that assists in the placement of deposits.*

# Certificate of Deposit (CD)

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- ❑ A certificate of deposit (CD), also called a time deposit, is a promissory note issued by a depository institution (such as a bank, credit union, saving association, etc.).
- ❑ Issued in a negotiable or non-negotiable form.
- ❑ Negotiable CDs are usually bought by institutional accounts as a money market instrument and are exempt from registration; assigned a CUSIP\*, active secondary market.
- ❑ Non-negotiable CDs are usually bought by an individual directly from a depository institution; unregistered, no CUSIP; no active secondary market. There is normally a penalty for early withdrawal.
- ❑ \*CUSIP (*Committee on Uniform Security Identification Procedures*) A CUSIP is a nine-character alphanumeric code that identifies a North American financial security for the purposes of facilitating clearing and settlement of trades.

# CD Characteristics

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- ❑ Entitles the bearer to receive interest.
- ❑ Bears a maturity date, a specified fixed interest rate, and can be issued in any denomination.
- ❑ Insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).
- ❑ Term of a CD generally ranges from 1 month to 5 years, but can go out 10-15 years.

# Ways to Purchase CDs

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- ❑ Direct with depository institution
- ❑ Deposit broker
- ❑ Broker Dealer or a Brokerage Service
- ❑ Placement Service

# Negotiable CDs (NCD)

## 53601(i)

- ❑ (i) **Negotiable certificates of deposit (NCD)** are issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent\* of the agency's moneys that may be invested pursuant to this section...
- ❑ \*Combined with placement service CDs (until AB 283 is effective January 1, 2016).

# Negotiable CDs continued

## 53601 (i)

...The legislative body of a local agency and **the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit** issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision making authority in the administrative office manager's office, budget office, auditor controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

# Negotiable CD (NCD)

## Characteristics

- ❑ Maturity <13mos is treated as a money market instrument, aka cash equivalent (such as treasury bills, bankers' acceptance, commercial paper, money market mutual funds, etc.) and short-term ratings scale applies.
- ❑ Called an add-on money market instrument because the interest rate is "added-on" and sold at 100, not at a discount. Other examples are fed funds and repo.
- ❑ Maximum maturity 5 years per 53601 (long-term ratings scale applies if maturity is 13mos>)
- ❑ Main function is to provide liquidity.
- ❑ Very low credit default risk as issuers are the most noteworthy names
- ❑ Fixed or floating rate coupon structures

# Negotiable CD (NCD)

## Characteristics (cont'd)

13

- ❑ Issued by the most credit-worthy, large money-center banks and large regional banks
- ❑ Institutional investors such as the State, large cities, and counties will conduct their due diligence and buy size, such as \$25mm increments.
- ❑ **Exempt from registration** under the Securities Act of 1933, Section 3, Exempted Securities
- ❑ **Assigned a CUSIP; active secondary market**
- ❑ Assigned ratings by an NRSRO (*Nationally Recognized Statistical Rating Organization*) - Money Market ratings apply <13mo's (A1/P1/F1) and Long-term ratings apply 13mo's> (A-/A3/A-).

# Bloomberg-NCDs Offerings

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**GRAB**  
95<Go> to Show Dealer List, <Menu> to Display Searches

Certificates of Deposit 91) Searches 92) Settings 97) Trading Access Money Market Offerings

83) Refine Search DEFAULT Prim & Sec Group by None 85) Deposits 89) Chart

84) Table 87) RateRun

AskSz (M)	Issuer	Maturity	SD	Dsc/Cpn	AskYld	S&P	M	F	Reg	Dlr	Pgm	DTM
500,000	ABBEY NATL TREAS	05/27	1	0.590	0.590	A-1	P-1	F1		RBC	YCD	270
200,000	AGRI BANK CN NY	05/31 - 06/27		0.720	0.720	A-1	P-1	F1		CG	YCD	274 - 301
200,000	AGRI BANK CN NY	08/31 - 09/26		0.800	0.800	A-1	P-1	F1		CG	YCD	366 - 392
200,000	BANCO ESTADO CHI	05/27	1	0.630	0.630	A-1+	P-1	F1		RBC	YCD	270
200,000	BANCO ESTADO CHI	05/31 - 06/21		0.630	0.630	A-1+	P-1	F1		CG	YCD	274 - 295
500,000	BANCO ESTADO CHI	05/31		0.630	0.630	A-1+	P-1	F1		JPM	YCD	274
200,000	BANCO ESTADO CHI	08/30	1	0.770	0.770	A-1+	P-1	F1		RBC	YCD	365
200,000	BANCO ESTADO CHI	08/31 - 09/21		0.770	0.770	A-1+	P-1	F1		CG	YCD	366 - 387
500,000	BANCO ESTADO CHI	08/31		0.770	0.770	A-1+	P-1	F1		JPM	YCD	366
500,000	BANK NOVA SC HOU	05/27	1	0.550	0.550	A-1	P-1	F1+		RBC	YCD	270
1,000,000	BANK NOVA SC HOU	05/31		0.530	0.530	A-1	P-1	F1+		CG	YCD	274
500,000	BANK NOVA SC HOU	05/31		0.550	0.550	A-1	P-1	F1+		JPM	YCD	274
500,000	BANK NOVA SC HOU	08/30	1	0.650	0.650	A-1	P-1	F1+		RBC	YCD	365
1,000,000	BANK NOVA SC HOU	08/31		0.640	0.640	A-1	P-1	F1+		CG	YCD	366
500,000	BANK NOVA SC HOU	08/31		0.650	0.650	A-1	P-1	F1+		JPM	YCD	366
1,250,000	BANK NOVA SCO NY	04/04 - 04/18		0.460	0.460	A-1	P-1	F1+		BARC	YCD	217 - 231
1,250,000	BANK NOVA SCO NY	05/02 - 05/09		0.470	0.470	A-1	P-1	F1+		BARC	YCD	245 - 252
1,250,000	BANK NOVA SCO NY	05/31 - 06/14		0.530	0.530	A-1	P-1	F1+		BARC	YCD	274 - 288
1,250,000	BANK NOVA SCO NY	07/05 - 07/11		0.550	0.550	A-1	P-1	F1+		BARC	YCD	309 - 315
1,250,000	BANK NOVA SCO NY	08/29 - 09/06		0.640	0.640	A-1	P-1	F1+		BARC	YCD	364 - 372
500,000	BK TOK-MIT UFJ N	05/27	1	0.610	0.610	A-1	P-1	F1		RBC	YCD	270
500,000	BK TOK-MIT UFJ N	05/31 - 06/21		0.610	0.610	A-1	P-1	F1		CG	YCD	274 - 295
500,000	BK TOK-MIT UFJ N	05/31		0.610	0.610	A-1	P-1	F1		JPM	YCD	274

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2015 Bloomberg Finance L.P.  
SN 576259 6447-4839-0 31-Aug-15 13:55:46 EDT GMT-4:00

# Money Market Ratings Scale

15

- ❑ Moody's Investor Services (Prime)
  - ❑ P-1 Superior ability to repay short-term debts
  - ❑ P-2 Strong ability to repay short-term debts
  - ❑ P-3 Acceptable ability to repay short-term debts
  - ❑ Not Prime Does not meet the criteria for prime issuers
  
- ❑ Standard & Poor's (S&P)
  - ❑ A-1+
  - ❑ A-1
  - ❑ A-2
  - ❑ A-3

# NCD Domestic (CD)-BMO Harris

16

GRAB  
Tab into field and hit <Go> to create a MMKT security

## MONEY MARKET PROGRAM DESCRIPTION

Issuer Information	Security Information	Options	
Name BMO HARRIS BANK NA	Maturity / /	2)Credit Profile	
Industry Banks	Issue date 8/31/15	3)Issuer Info	
Program Information		4)Related Security	
Ticker (Issuer )BMOHAR Series	Coupon	5)Related Programs	
Program Type (CD )U.S. CD ←	1st Coupon Date	6)Custom Notes	
Reg Type	ID	7)Company News	
Coupon Freq ( )	Min Piece/Increment /	8)Issuer Web Page	
Day Type (2) ACT/360	Base CUSIP		
Calc Type ( 990)INTEREST AT MTY	05573J		
Country/Curr US /USD STATE IL	05575D		
Program Size (MM)	Delivery DTC		
Guarantor	FIGI BBG001WQTG07		
Type	Issuer/Debt Ratings		
LOC Amount (M) Exp	S&P Long A+	Short A-1	Outlook NEG
Paying Agent	MDY Aa3	P-1	STABLE
Dealer	FITCH AA-	F1+	STABLE

N/C FROM HARRIS BANK NA EFF 7/5/11

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2015 Bloomberg Finance L.P.  
SN 576259 G447-4839-0 31-Aug-15 15:11:41 EDT GMT-4:00

# San Bernardino County Security Set-up

BMOHAR 0.45 02/01/16\$ Priced At 0 Basis Points Over U.S. CD (TOP)

## MONEY MARKET SECURITY DESCRIPTION Page 1/1

Issuer Information	Security Information	Options
Name BMO HARRIS BANK NA	Maturity 2/ 1/16	1)Credit Profile
Industry Banks	Announce Date 1/22/15	2)Issuer Info
Program Information	Issue date 1/23/15	3)Related Security
Ticker (Issuer) BMOHAR Series	1st Settle Date 1/23/15	4)Related Programs
Program Type (CD )U.S. CD	ID 05574BDQ0	5)Custom Notes
Reg Type	BB # PPECMCNW2	6)Update Security
Coupon Freq ( )	Delivery DTC	7)Send Security
Day Type ( 2) ACT/360	Issue Amount /PAR	8)Company News
Calc Type ( 7)INTEREST@MTY	(M)/ 1000	9)Issuer Web Page
Country/Curr US /USD STATE IL	Min Piece/Increment	
Program Size (MM)	Coupon 0.45000	
Guarantor	BBGID BBG00801H983	
Type	Issuer/Debt Ratings	
LOC Amount (M) Exp	S&P Long A+	Short A-1
Paying Agent	MDY A2	Outlook STABLE
Dealer	FITCH AA-	STABLE
Sec created by: SAN BERNARDINO COUNT		

# San Bernardino County Trade Ticket

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<HELP> for explanation.  
Screen Printed

1) Delete 2) Reply 22) Reply All 3) Forward 12) Prev 11) Next 99) Options Message: View

Jan 22 2015 09:05:10

From JOHN JOHNSON (SAN BERNARDINO COUNT)

Attached No Attachments

91) ☆ 92) Move 94) Tags



\* MULTIPLE TRADE TICKET \*

BROKER: DIRECT as of: 1/22/15  
 BUYS: BMOHAR 0.45 02/01/16 CUSIP: 055748DQ0  
 PRICE: 100.000000 -or- YIELD: 0.4500 (to 2/ 1/16 @ 100.0000)  
 SETTLEMENT: 1/23/15 ( 0 days accrued)

-NOTES-	AMOUNT(M)	Principal	Accrued	TOTAL
15-10	25000	25000000.00	0.00	25000000.00
TOTALS>>	25000.00	25000000.00	0.00	\$ 25000000.00

# San Bernardino County Trade Summary Sheet

<b>TRADE SUMMARY SHEET MONEY MARKET INSTRUMENTS</b>				
<b>Recommendation #</b>	15-10		Reviewed by Larry Walker  Initials _____ Date <u>2015-02-19</u>	
<b>Purpose of Trade:</b>	Ladder liquidity into Feb-2016			
<b>Transaction Date:</b>	1/22/2015		Reviewed by Oscar Valdez  Initials _____ Date <u>2015-2-17</u>	
<b>Settlement Date:</b>	1/23/2015			
<b>Maturity Date:</b>	2/1/2016			
<b>Days:</b>	375 days from trade date		Prepared by John Johnson  Initials _____ Date <u>2015-1-30</u>	
<b>_____</b>	<b>_____</b>			
<b><u>Purchase</u></b>				
<b>Description</b>	<b>Ratings</b>	<b>Yield</b>	<b>Amount</b>	<b>Dealer</b>
BMO Harris YCD	A-1/P-1/F1+	0.450%	\$ 25,000,000	Direct
<b>Total</b>			<b>\$ 25,000,000</b>	
<b><u>Other Securities Eligible for Purchase to this Maturity</u></b>				
<b>Description</b>	<b>Ratings</b>	<b>Yield</b>		
BNS YCD	A-1/P-1/F1	0.390%		
Nordea YCD	A-1+/P-1/F1+	0.295%		
TD YCD	A-1+/P-1/F1+	0.390%		
<b>Best Yield</b>		<b>0.450%</b>		
<b>Notes:</b>				
Executed as part of a swap to replace Treasuries sold.				

# NCD Yankee (YCD)-WestPac

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GRAB

Tab into field and hit <Go> to create a MMKT security

## MONEY MARKET PROGRAM DESCRIPTION

Issuer Information	Security Information	Options
Name WESTPAC BANKING CORP NY	Maturity / /	2)Credit Profile
Industry Banks	Issue date 8/31/15	3)Issuer Info
<b>Program Information</b>		4)Related Security
Ticker (Issuer )WSTNY Series	Coupon	5)Related Programs
Program Type (YCD )Yankee CD 	1st Coupon Date	6)Custom Notes
Reg Type	ID	7)Drawdown
Coupon Freq ( )	Min Piece/Increment	8)Involved Parties
Day Type ( 2 ) ACT/360	/	9)Company News
Calc Type ( 7 ) INTEREST@MTY	Base CUSIP	10)Issuer Web Page
Country/Curr US /USD	96121H	
Program Size (MM)	96121T	
Guarantor	Delivery DTC	
Type	FIGI BBG0013SX8F2	
LOC Amount (M) Exp	<b>Issuer/Debt Ratings</b>	
Paying Agent CMB	S&P Long AA-	Short A-1+
Dealer	MDY Aa2	P-1
	FITCH AA-	F1+
		Outlook NR
		STABLE NR
		NR NR
		Program Ratings

NEW YORK BRANCH.

# San Bernardino County Security Set-up

WSTNY 0.46 01/04/16 Data Unavailable

## MONEY MARKET SECURITY DESCRIPTION Page 1/1

Issuer Information	Security Information	Options
Name WESTPAC BANKING CORP NY Industry Banks	Maturity 1/ 4/16 Announce Date 12/29/14 Issue date 1/ 2/15 1st Settle Date 1/ 2/15	1)Credit Profile 2)Issuer Info 3)Related Security 4)Related Programs 5)Custom Notes 6)Update Security 7)Send Security 8)Drawdown 9)Involved Parties 10)Company News 11)Issuer Web Page
<b>Program Information</b>	ID 96121TYQ5 BB # PPQG02LT5 Delivery DTC Issue Amount /PAR (M)/ 1000 Min Piece/Increment /	
Ticker (Issuer )WSTNY Series Program Type (YCD )Yankee CD Reg Type Coupon Freq ( ) Day Type ( 2) ACT/360 Calc Type ( 7)INTEREST@MTY Country/Curr US /USD Program Size (MM) Guarantor Type LOC Amount (M) Exp Paying Agent CMB Dealer	Coupon 0.46000 BBGID BBG007TGCJW7	
	<b>Issuer/Debt Ratings</b>	
	Long	Short
S&P	AA-	A-1+
MDY	Aa2	P-1
FITCH	AA-	F1+
	Outlook	Program Ratings
	NR	NR
	STABLE	NR
	NR	NR
Sec created by:J BYERLY NEW YORK BRANCH.		

# San Bernardino County Trade Ticket

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<HELP> for explanation.  
 <Menu> to Return to your Inbox  
 1) Delete 2) Reply 22) Reply All 3) Forward 12) Prev 11) Next 99) Options Message: View  
 ✓ Dec 29 2014 11:49:47  
 From ● JOHN BYERLY (SAN BERNARDINO COUNT)  
 Subject CUSIP:96121TYQ5 VCON TICKET: WSTNY 0.46 01/04/16  
 Attached No Attachments 91) ☆ 92) Move 94) Tags

12/29/2014 11:49	Trade Date : 12/29/14
Trader : JOHN BYERLY	ID : 96121TYQ5
At : SAN BERNARDINO COUNTY TREASURER	BB Number : PPQG02LT
	Delivery : L#1736525
BUYS : 25M (M) of WSTNY 0.46 01/04/16	Issuer : WESTPAC BANK
	Dated : 01/02/15

Price : 100.000000 Yield : 0.46000000  
 Settlement: 01/02/15  
 Notes : purchase westpac ycd to partially fill rec#14-142  
 broker; ubs

** Principal :	USD 25,000,000.00 **
** Accrued( 0 days ):	0.00 **
** Total :	USD 25,000,000.00 **

# San Bernardino County Trade Summary Sheet

<b>TRADE SUMMARY SHEET MONEY MARKET INSTRUMENTS</b>				
<b>Recommendation #</b>	14-142		Reviewed by Larry Walker <i>LAW</i> 2015-01-13 <small>Initials Date</small>	
<b>Purpose of Trade:</b>	Ladder liquidity into Jan-2016			
<b>Transaction Date:</b>	12/29/2014		Reviewed by Oscar Valdez <i>[Signature]</i> 2015-1-12 <small>Initials Date</small>	
<b>Settlement Date:</b>	1/2/2015			
<b>Maturity Date:</b>	1/4/2016		Reviewed by John Johnson <i>[Signature]</i> 2015-1-7 <small>Initials Date</small>	
<b>Days:</b>	371 days from trade date			
Prepared by John Byerly <i>[Signature]</i> 2014-12-31 <small>Initials Date</small>				
<b><u>Purchase</u></b>				
<b>Description</b>	<b>Ratings</b>	<b>Yield</b>	<b>Amount</b>	<b>Dealer</b>
Westpac YCD	A-1+/P-1/F1+	0.460%	\$ 25,000,000	UBS
<b>Total</b>			<b>\$ 25,000,000</b>	
<b><u>Other Securities Eligible for Purchase to this Maturity</u></b>				
<b>Description</b>	<b>Ratings</b>	<b>Yield</b>		
BMO YCD	A-1/P-1/F1+	0.250%		
FRE DN	A-1+/P-1/NR	0.260%		
TD YCD	A-1+/P-1/F1+	0.380%		
<b>Best Yield</b>		<b>0.460%</b>		

**Notes:**

\*\*\*Westpac wasn't posting to 1/4/16, but through reverse inquiry, the County was able to negotiate terms to our target date.

# Brokered Certificate of Deposit

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- ❑ Brokered CD is a certificate of deposit that is purchased through a brokerage firm or from a sales representative other than a bank.
- ❑ Brokered CDs from a broker dealer are part of a **Master CD that is a negotiable instrument.**
- ❑ A “political subdivision” is entitled to its own insurance coverage if it meets three specific needs of the FDIC. Confirm with the FDIC concerning deposit insurance for accounts held by government depositors at [www.fdic.gov/deposit/deposits/factsheet.html](http://www.fdic.gov/deposit/deposits/factsheet.html)

# Brokered CD (under negotiable Master CD) Characteristics

- ❑ Maturities are usually 1 month to 5 years, but programs do have maturities out to 15 years.
- ❑ Sold by the brokerage firm to its investors, but is an obligation of the bank; therefore, FDIC limits apply.
- ❑ Big banks that are frequent issuers are called “Program Names” (such as Ally Bank, Capital One USA & NA, Discover, and Synchrony); they are in with funding needs continuously; decide what size to allocate to the dealers.
- ❑ Post on Monday and usually sold out by Friday.
- ❑ **Registered with the SEC** (U.S. Securities and Exchange Commission). *The mission of the U.S. Securities and Exchange Commission (SEC) is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.*
- ❑ **Assigned a CUSIP; active secondary market.**

# Brokered CD-Capital One NA

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- CAPITAL ONE, NATIONAL ASSOC. (FDIC 4297)
  - 18MO 0.85 FIXED DUE 03/10/17 (S/A)
  - 2Y 1.15 FIXED DUE 09/11/17 (S/A)
  - 3Y 1.65 FIXED DUE 09/10/18 (S/A) 
  - 4Y 2.00 FIXED DUE 09/10/19 (S/A)
  - 5Y 2.25 FIXED DUE 09/10/20 (S/A)
  - Posted the week of 8/31/15; \$50mm to one dealer; not state restrictions; for settlement 9/10/15

# Brokered CD-Capital One NA

27

**GRAB**  
**CAPITAL ONE NA COF1.65 09/10/18 NOT PRICED**

COF 1.65 09/10/18 Corp Page 1/11 Description: Bond

Data not provided by Bloomberg 94 Notes 95 Buy 96 Sell 97 Settings

21) Bond Description 22) Issuer Description

Pages	Issuer Information	Identifiers
1) Bond Info	<b>Name</b> CAPITAL ONE NA	<b>ID Number</b> UV7403065
2) Addtl Info	<b>Industry</b> Banks	<b>CUSIP</b> 14042E6R6
3) Covenants	<b>Security Information</b>	<b>ISIN</b> US14042E6R69
4) Guarantors	<b>Mkt Iss</b> US Domestic <b>Cert of Deposit</b>	<b>Bond Ratings</b>
5) Bond Ratings	<b>Country</b> US <b>Currency</b> USD	<b>Moody's</b> NA
6) Identifiers	<b>Rank</b> Sr Unsecured <b>Series</b> 0001	<b>S&amp;P</b> NA
7) Exchanges	<b>Coupon</b> 1.65 <b>Type</b> Fixed	<b>Fitch</b> NA
8) Inv Parties	<b>Cpn Freq</b> S/A	<b>DBRS</b> NA
9) Fees, Restrict	<b>Day Cnt</b> ACT/365 NON-E... <b>Iss Price</b> 100.00000	<b>Issuance &amp; Trading</b>
10) Schedules	<b>Maturity</b> 09/10/2018	<b>Amt Issued/Outstanding</b>
11) Coupons	<b>BULLET</b>	USD (M) /
<b>Quick Links</b>	<b>Iss Sprd</b>	USD (M)
32) ALLQ Pricing	<b>Calc Type</b> (22)MEDIUM-TERM CD	<b>Min Piece/Increment</b>
33) QRD Quote Reca	<b>Announcement Date</b> 08/31/2015	1,000.00 / 1,000.00
34) TDH Trade Hist	<b>Interest Accrual Date</b> 09/10/2015	<b>Par Amount</b> 1,000.00
35) CAC Corp Action	<b>1st Settle Date</b> 09/10/2015	<b>Book Runner</b> JOINT LEADS
36) CF Prospectus	<b>1st Coupon Date</b> 03/10/2016	<b>Exchange</b> NOT LISTED
37) CN Sec News	SECURITY NOT CREATED BY BLOOMBERG For questions, contact: CD Syndicate Desk	
38) HDS Holders	bb_cd_retail_syndicate@MorganStanley.com +1 212 761-2210	
39) VPR Underly Info		
66) Send Bond		

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2015 Bloomberg Finance L.P.  
 SN 576259 G447-4839-1 31-Aug-15 17:22:31 EDT GMT-4:00

# Capital One NA Yield Comparisons

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- CAPITAL ONE, NATIONAL ASSOC. (FDIC 4297)
  - 18MO 0.85 FIXED DUE 03/10/17 (S/A)
    - Treasury 0.63, + 0.22bps; Agency bullet 0.643, + 0.207bps
  - 2Y 1.15 FIXED DUE 09/11/17 (S/A)
    - Treasury 0.76, +0.39bps; Agency bullet 0.812, +33.8bps
  - 3Y 1.65 FIXED DUE 09/10/18 (S/A)
    - Treasury 1.12, +0.53bps; Agency bullet 1.159, +49.1bps
  - 4Y 2.00 FIXED DUE 09/10/19 (S/A)
    - Treasury 1.41, +59bps; Agency bullet 1.45, +55bps
  - 5Y 2.25 FIXED DUE 09/10/20 (S/A)
    - Treasury 1.549, +70.1bps; Agency bullet 1.669, +58.1bps

# Non-Negotiable CDs (Federally Insured\*)

## 53635.2, 53637, 53638, 53653

- ❑ **Non-Negotiable Certificate of Deposit (CD)** is a promissory note issued by a depository institution (such as a bank, credit union, a saving association, etc.) that usually carries a penalty for early withdrawal.
- ❑ Bought mostly by individuals directly from a bank.
- ❑ Deposits can be raised over the internet, through a CD service, and other means such as Deposit Brokers.
- ❑ Deposit brokers may not be licensed or certified, and no state or federal agency approves them.
- ❑ Unregistered; no CUSIP; no secondary market.
- ❑ **Alert:** Institutional Eurodollar Time Deposits appear similar to Non-Negotiable CDs — Eurodollar time deposits are U.S. dollars on deposit outside the United States, either with a foreign bank or a subsidiary of a U.S. bank. They are not eligible for FDIC insurance, non-negotiable (no CUSIP#), and are not collateralized. They are not approved for purchase by government code.
- ❑ **\*FDIC insurance coverage limits apply**

# Placement Service Assisted Deposits

## 53601.8 & 53635.8

- ❑ Notwithstanding Section 53601 or any other provision of this code, a local agency that has the authority under law to invest funds, at its discretion, may invest a portion of its surplus funds in deposits at a commercial bank, savings bank, savings and loan association, or credit union that uses a **private sector entity that assists in the placement of deposits**
- ❑ Conditions shall apply

# Placement Service Assisted Deposits

## 53601.8 & 53635.8

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- ❑ Code Sections 53601.8 & 53635.8 as repealed and amended by AB 279 (Dickinson) effective January 1, 2014.\*
- ❑ Existing law, until January 1, 2017\*, authorizes, under certain conditions, a local agency to invest up to a certain percentage of its surplus funds in deposits at specified types of financial institutions that use a private sector entity to assist in the placement of deposits, whether those investments are certificates of deposit or in another form. With respect to investments other than a certificate of deposit, existing law limits the percentage of local agency funds that may be invested by any one private sector entity. Existing law, on and after January 1, 2017\*, limits this authority to invest surplus funds to investments in certificates of deposit only.
- ❑ \*AB 283 revises 53601.8 & 53635.8 effective January 1, 2016.

# Placement Service Assisted Deposits

## 53601.8 & 53635.8

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- ❑ No more than 30 percent of the agency's money may be invested in deposits, including CDs, through a private sector placement service.
- ❑ No more than 30 percent of the agency's money may be invested in CDs through a placement service **and** Negotiable CDs (NCDs/YCDs). {Sections 53601.8, 53635.8, and 53601(i)}\*
- ❑ Excluding Certificates of Deposit, no more than 10% of the agency's money may be invested with any one private sector entity that assists in placing deposits.
- ❑ 5 year maturity limit applies (unless pre-approved by legislative body).
- ❑ No minimum rating specified but full amount of deposits shall at all times be insured by the FDIC or NCUA.
- ❑ The selected depository institution shall serve as a custodian for each such deposit.
- ❑ **\*AB 283 revises 53601.8 & 53635.8 effective January 1, 2016.**

# Placement Service Assisted Deposits AB 283 (Effective January 1, 2016)

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- ❑ Governor Brown signed AB 283 on August 12, 2015.
- ❑ Repeals and amends Code Sections 53601.8 & 53635.8.
- ❑ Extends Sunset Date to January 1, 2021.
- ❑ Removes the inclusion of NCDs (YCDs) authorized under 53601(i) from the 30% combined limitation.
- ❑ Removes the 10% limit per private sector entity placement service on non-CD placement service-assisted deposit accounts.
- ❑ Simplifies the Code language and treats CD, NOW, and DDA derived placement service assisted deposit accounts alike.

# Examples-Private Placement Services

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- ❑ Certificate of Deposit Account Registry Service (CDARS): a private **CD placement** service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS).
- ❑ Federally Insured Cash Account (FICA): a proprietary cash management vehicle by StoneCastle Partners. It is an FDIC insured Liquid Structured Bank **Deposit Vehicle**.

# Collateralized CDs

## 53601 (n)

- **(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest** in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- 5 year maximum maturity; no percentage limits.
- **Unregistered; no assigned CUSIP; no secondary market.**
- Review CDIAC's 2015 LAIG, pages 16-17, Section 11B, on the requirements for an institution to hold local agency money (53652.2).

# Quick Recap

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- ❑ Negotiable CDs
  - ❑ Money Market instrument with maturity <1 year; exempt from registration; CUSIP; active secondary market; FDIC limits apply; mostly institutional size purchases; 30% combined maximum with placement service.
- ❑ Broker Dealer CDs
  - ❑ Broker/dealer master negotiable CD program; registered; CUSIP; active secondary market; FDIC limits apply; mostly 1 month to 5 years; 5 year maximum maturity; % portfolio limits apply.
- ❑ Non-negotiable CDs
  - ❑ Purchase direct from depository; unregistered; no CUSIP; no secondary market; FDIC limits apply; 5 years max maturity; % portfolio limits DO NOT apply.
- ❑ Placement Service Deposits/CDs
  - ❑ Service that allows a local agency to purchase in excess of \$250m in CDs or deposits, placing monies with other institutions while maintaining FDIC insurance; 30% combined maximum with negotiable CDs; 30% inclusive of CD service and 30% inclusive of Deposit service.
- ❑ Collateralized CDs
  - ❑ Non-negotiable; unregistered; no CUSIP; purchased direct from depository; 5 year maximum maturity; no % restrictions; collateral conditions.

# Sources

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- [www.treasurer.ca.gov](http://www.treasurer.ca.gov)
- [www.fdic.gov](http://www.fdic.gov)
- [www.fdic.gov/deposit/deposits/factsheet.html](http://www.fdic.gov/deposit/deposits/factsheet.html)
- [www.sec.gov](http://www.sec.gov)