Description of PMIA Securities

U.S. Treasury Bills
Commonly called bill, or T-bill, a Treasury bill is a short-term (maturities up to a year), discounted government security (secured by the full-faith and credit of the U.S. government) sold through competitive bidding at weekly and monthly auctions. One-, three- and six-month bills are auctioned weekly, and one-year bills monthly. Treasury bills are the most widely used of all government debt securities and are the primary instrument of Federal Reserve monetary policy.

U.S. Treasury Notes
Treasury notes are debt obligations of the U.S. government, issued at various schedules (monthly in most cases) and are intermediate securities with maturities from 1 to 10 years.

U.S. Treasury Strips
Originally issued by the U.S. Treasury in complete form as principal and interest obligations. Strips, or Zero Coupon's as they are often referred, are the result of separating the interest obligation from the principal and trading the body of the bond and the individual coupon obligations as separate securities.

Agencies and Supranationals
"Agencies" is a term used to describe two types of bonds: bonds issued or guaranteed by U.S. federal government agencies; and bonds issued by government-sponsored enterprises (GSEs)—corporations created by Congress to foster a public purpose, such as affordable housing. Bonds issued or guaranteed by federal agencies are backed by the "full faith and credit of the U.S. government".

A "Supranational" is an entity that is formed by two or more central governments through international treaties. The purpose for creating a supranational is to promote economic development for the member countries. The International Bank for Reconstruction and Development (IBRD) and the Inter-American Development Bank (IADB) are two examples of supranational institutions.

The following is a list of various obligations authorized by statute: Farm Credit System, including Banks for Co-Ops, Federal Intermediate Credit Banks, Federal Land Banks, Farm Credit Consolidated Systemwide Discount Notes, Federal Farm Credit Banks Consolidated Systemwide Bonds, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Discount Notes and Debentures, Federal National Mortgage Association, Student Loan Marketing Association, United States Postal Services, FHA Debenture obligations, Government National Mortgage Association, Export-Import Bank of the United States, Farmers Home Administration, Maritime Administration, Small Business Administration, Tennessee Valley Authority, Asian Development Bank, Commodity Credit Corporation (CCC), Inter-American Development Bank, and International Bank for Reconstruction and Development (IBRD).

Agency Discount Notes

A discount note is a short-term debt obligation issued at a discount to par. Discount notes are similar to Treasury bills and are typically issued by government-sponsored agencies or highly rated corporate borrowers. (e.g. FHLB, FHLMC, FNMA, IBRD)

Certificates Of Deposit (CD)

Issued by commercial banks and thrift institutions against funds deposited for specified periods of seven days or longer and earn specific rates of interest. Major banks and thrifts also issue variable rate CD's with maturities of up to five years. Variable rates are adjusted every 30, 90, or 180 days, and usually includes a fixed spread to the benchmark rate for major bank CD's, as compiled and published by the Federal Reserve Bank of New York. Yankee CD's, also authorized by statute, are U.S. dollar-denominated CD's issued by foreign banks domiciled in the United States. Australian, Canadian, French, German, Japanese, Nordic, Swiss, and UK banks are active issuers of Yankee CD's.

Bank Notes

Bank Notes are senior, unsecured promissory notes issued in the United States on either an underwritten or continuously-offered basis by domestic commercial banks. Bank Notes are very similar to CD's, represent senior debt of the bank which are on equal footing with all other senior obligations of the bank, except deposit liabilities or obligations that are secured or subject to any priorities or preferences.

Time Deposits

Interest-bearing deposits with specific maturities negotiated with California banks, savings and loans and credit unions. These deposits are secured by collateral pledged by the financial institution and in compliance with the Government Code. Required collateralization levels are monitored on a regular basis. In addition, financial institutions are evaluated for credit criteria.

Banker's Acceptance

A short-term credit investment created by a non-financial firm and guaranteed by a bank to make payment. Acceptances are traded at discounts from face value in the secondary market. Banker's acceptances are considered very safe instruments and are used extensively in foreign trade.

Commercial Paper

Short-term obligations with maturities ranging from 1 to 270 days issued by banks, corporations and other borrowers and discounted. Commercial Paper can be issued directly or through brokers. Commercial paper is the only authorized investment with restrictions pertaining to the amount eligible for investments. No more than 10% of any one issuer's outstanding may be held by the PMIA.

Corporate Bonds

Debt securities issued by a company instead of a government. Corporate bonds are a major way companies raise funds for their operations or for a specific project. The risk of a corporate bond for a bondholder depends on the creditworthiness of the issuing company. As with all bonds, corporate bonds have a stated coupon rate and a maturity date, at which time the principal is repaid to bondholders.

REMICs

A real estate mortgage investment conduit (REMIC) is a special purpose vehicle that is used to pool mortgage loans and issue mortgage-backed securities (MBS). Real estate mortgage investment conduits hold commercial and residential mortgages in trust and issue interests in these mortgages to investors. REMICs piece together mortgages into pools based on risk and issue bonds or other securities to investors. These securities then trade on the secondary mortgage market. FNMA and FHLMC are some of the more prominent issuers of REMICs.

Repurchase Agreements (AKA – Repo)

Consists of two simultaneous transactions. One is the purchase of securities by an investor from a bank or dealer. The other is the commitment by the bank or dealer to repurchase the securities at the same price at some mutually agreed upon future date. Most transactions are for maturities from 1 to 3 days.

Reverse Repurchases (AKA – Reverse Repo)

Technically called matched sales-purchase agreements, are essentially the mirror image of a Repurchase Agreement. In this instance, the investor is the owner of the collateral, and the bank or dealer is the lender of money.

Negotiable Order of Withdrawal (AKA – NOW Account)

A Negotiable Order of Withdrawal account (NOW account) is a deposit account that pays interest on which checks may be written. NOW accounts are offered by commercial banks, mutual savings banks, and savings and loan associations.