

CITY OF CHINO
STATEMENT OF INVESTMENT POLICY
ADOPTED FEBRUARY 18, 2025

1.0 POLICY:

This statement is intended to provide guidelines for the prudent investment of the temporarily idle cash of the City of Chino (City) and outline the policies for maximizing the efficiency of the City's cash management system. The goal is to enhance the economic status of the City, while protecting the investment corpus of pooled cash in accordance with applicable local, state, and federal laws.

2.0 SCOPE:

This investment policy applies to all financial assets and investment activities of the City, except for proceeds of debt issuance. Debt proceeds shall be invested in accordance with the "Permitted Investments" and/or investment provisions for each specific bond indenture and/or bond document.

The Policy applies to the following funds and is accounted for in the City's annual audited financial statements.

- A. General Fund
- B. Special Revenue Funds
- C. Debt Service Funds
- D. Capital Improvement Funds
- E. Enterprise Funds
- F. Internal Service Funds
- G. Successor Agency Funds
- H. Any joint powers authority funds.

3.0 STANDARDS OF PRUDENCE:

The City Treasurer, Deputy City Treasurer, or Designee authorized to make investment decisions on behalf of the City of Chino investing public funds pursuant to this policy are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public

funds, the City Treasurer or Deputy City Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, the City Treasurer or a Deputy City Treasurer is authorized to acquire investments as authorized by law.

4.0 INVESTMENT OBJECTIVES:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the primary objective of the City Treasurer or Deputy City Treasurer shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the City. The third objective shall be to achieve a market average rate of return consistent with the primary objectives of safety and liquidity, throughout budgetary and economic cycles. At no time should safety or liquidity be compromised in exchange for higher yields.

1. Safety: The preservation of invested capital (principal) is of primary importance. The City Treasurer or a Deputy City Treasurer shall only invest in investments that are considered safe. The safety and risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these amounts. Each investment decision shall seek to ensure that capital losses are avoided.

2. Liquidity: The City's investment portfolio shall contain investments with a diversified mix of maturities in order to provide sufficient liquidity to meet projected operating cash requirements of the City.

3. Return on Investments: The City's investment portfolio shall be designed with the objective of obtaining a reasonable and competitive market rate of return throughout budgetary and economic cycles, taking into consideration risk constraints, prudent investment principles, and the cash flow characteristics of the portfolio

5.0 DELEGATION OF AUTHORITY:

The authority to invest City funds is vested in the City Treasurer as adopted by resolution of the City Council or Agency of the City of Chino. All investment decisions and investment of funds shall be made in full compliance with this policy, the California Government Code Sections 53600 et. seq. and all other relevant state and federal requirements as well as any amendments or additions to such requirements.

Management responsibility for the investment of City funds is vested in the City Treasurer who shall prepare written procedures for the operation of the investment program and safekeeping of investment instruments consistent with this investment policy. The written procedures may provide for the delegation of authority to a designee or Deputy City Treasurer who, upon assuming such office, shall become responsible for investment transactions. No person may engage in an investment decision except as permitted by this policy and by the procedures promulgated by the City Treasurer. Prior to implementing such procedures, the City Treasurer shall submit them to the City Council for approval.

The Investment Advisory Committee is hereby established, and it is vested with the authority to oversee the implementation of this policy and to recommend amendments of this policy to the City Council. The Committee is composed of two City Council Members, the City Manager, the City Treasurer, the Deputy City Treasurer, and one alternate City Council Member who shall serve only in the absence of the regular City Council Members. The Committee shall meet once every quarter and at such other times as may be called by the City Treasurer or either City Council Member. The City Treasurer shall be the chair of the Committee. The Committee may recommend the employment of a qualified investment advisor whose employment shall be determined by the City Council. The investment advisor shall advise the City Treasurer, the Committee and the City Council.

6.0 ETHICS AND CONFLICTS OF INTEREST:

Elected officials and employees of the City involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions under the Political Reform Act and Government Code Section 1090 *et seq.* Elected officials and employees shall disclose to the City Manager any material interests in

financial institutions that conduct business with the City, and they shall further disclose any personal investment position or financial asset that could be related to the performance

of the City's investment program. Elected officials and employees shall subordinate their personal investment transactions to those of the City particularly with regard to the time of purchases and sales. Any firm proposing to provide any type of investment service to the City shall acknowledge their familiarity with the provisions of the Political Reform Act, Government Code Section 81000 *et seq.* and CA Code of Regulations 18110 *et seq.* and the provisions limiting contractual conflicts of interest under Government Code Section 1090 *et seq.*

Any firm proposing to provide any type of investment service to the City shall also acknowledge their familiarity with and agree to abide by any Federal or State law, regulation, rule or policy pertaining to or limiting campaign contributions by such firms, their employees, spouses or agents.

All persons, firms, broker/dealers, financial institutions and advisors providing investment services or bond issue assistance shall disclose to the City Manager and the Treasurer all fee sharing, fee-splitting and commission arrangements with other entities or persons prior to the City agreeing to buy an investment or issue bonds.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS:

The City Treasurer shall select all security dealers and depositories subject to City Council approval. The City shall conduct its investment transactions with several competing, reputable security broker/dealers. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). The selection process shall focus on financial viability, knowledge, experience, and ethics in the fixed-income securities industry. The City Treasurer will maintain a list and a written agreement with financial institutions authorized to provide investment services subject to City Council approval.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer with the following: audited financial statements, proof of Financial Industry Regulatory Authority (FINRA) or National Association of Securities Dealers (NASD) certification, proof of state registration, completed broker/dealer questionnaire, and certification of having read the City's investment policy and depository contracts. The City Treasurer will conduct

periodic reviews of the financial condition and registrations of qualified bidders.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS:

Authorized and suitable investments shall mean and include any of the following securities to the extent the same are permitted by applicable federal and state code under 53601 and 53601.6. The City is empowered by statute to invest in the following types of securities included in the Local Agency Investment Guidelines (LAIG) Figure 1 below. The Table of Notes for Figure 1 is provided for footnotes related to this figure.

No investment shall be made that is prohibited by law. Thus, no investments are authorized in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor in any other investment that could result in zero interest if held to maturity, unless, if issued or backed by the United States Government in the event of, and for the duration of, a period of negative market interest rates.

(See Figure 1 on following pages)

FIGURE 1**ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2025)^A APPLICABLE TO ALL LOCAL AGENCIES^B**

See “Table of Notes for Figure 1” for footnotes related to this figure.

TYPE	MAXIMUM MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers’ Acceptances	180 days	40% ^E	None	53601(g)
Commercial Paper—Non-Pooled Funds ^F (under \$100,000,000 of investments)	270 days or less	25% of the agency’s money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds ^I (min. \$100,000,000 of investments)	270 days or less	40% of the agency’s money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper— Pooled Funds ^J	270 days or less	40% of the agency’s money ^G	Highest letter and number rating by an NRSRO ^H	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^K	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.

FIGURE 1 (continued)**ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2025)^A APPLICABLE TO ALL LOCAL AGENCIES^B**

See “Table of Notes for Figure 1” for footnotes related to this figure.

TYPE	MAXIMUM MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Placement Service Deposits	5 years	50% ^L	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% ^L	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^M	20% of the base value of the portfolio	None ^N	53601(j)
Medium-Term Notes ^O	5 years or less	30%	“A” rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20% ^P	Multiple ^{Q, R}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^S	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities ^T	5 years or less ^T	20%	“AA” rating category or its equivalent or better ^T	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^U	53601(p)

TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years from the settlement date. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F Applies to local agencies, other than counties or a city and county, with less than \$100 million of investment assets under management. Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10% of the outstanding commercial paper and medium-term notes of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.
- ^I Applies to counties or a city and county, and the City of Los Angeles that have \$100 million or more of investment assets under management.
- ^J Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- ^K No more than 30% of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^L Effective January 1, 2020, no more than 50% of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30%. Investments made pursuant to 53635.8 remain subject to a maximum of 30% of the portfolio.
- ^M Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^N Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^O "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^P No more than 10% invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^Q A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- ^R A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^S Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed 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, among other specific collateral requirements.
- ^T Security types authorized under Section 53601(o) that are issued or guaranteed by an issuer identified in subdivisions (b) or (f), are not subject to the limitations placed on privately issued securities authorized in Section 53601(o)(2)(A)(B).
- ^U A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- ^V Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^W Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

9.0 REVIEW OF INVESTMENT PORTFOLIO:

The securities held by the City must be in compliance with Section 8.0 Authorized and Suitable Investments at the time of purchase. Because some securities may not comply with Section 8.0 Authorized and Suitable Investments subsequent to the date of purchase, the city should at least quarterly review the portfolio to identify those securities that do not comply. The city will report to the council and its committee any major and critical incidences of noncompliance identified as soon as possible for possible action.

10.0 INVESTMENT POOLS/MUTUAL FUNDS:

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities is safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, and what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/funds?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds

11.0 COLLATERALIZATION:

All demand deposits, time deposits and repurchase agreements are to be fully collateralized with securities authorized by the California Government Code and the City. The eligible collateral for repurchase agreements must be those investments authorized by Section 53651 of the California Government Code. The Treasurer may specify the type of eligible collateral for use in repurchase agreements. Eligible collateral must be in book entry form. Collateral is valued at current market plus accrued interest through the date of valuation to anticipate market changes and provide a level of security for all funds.

- A) The cost value (book value) of collateral pledged for demand deposits must always be equal to or greater than the amount on deposit, plus accrued interest, in accordance with the following ratio:

U.S. Treasury Securities	110%
--------------------------	------

- B) The cost value (book value) of collateral pledged for repurchase agreements must always be equal to or greater than the par amount, plus accrued interest, with the following ratios:

U.S. Treasury Securities	102%
U.S. Government Agencies	102%
Cash (in immediately available funds)	100%

It is the policy of the City to require reports at least on a quarterly basis from institutions with which the Treasurer has pledged security interest. The Treasurer shall monitor the adequacy of collateralization to ensure that balances are collateralized in accordance with the ratios approved herein.

With regards to repurchase agreements, it is the policy of the City to initiate a margin call in the event pledged collateral falls below the appropriate ratio.

Collateralized investments and deposits often require substitution of collateral. Any broker or financial institution requesting substitution must contact the City through the City Treasurer, for approval in the event the counterparty to the transaction is not authorized under agreement with the City to make substitutions.

12.0 SAFEKEEPING AND CUSTODY:

All security transactions, including collateral for repurchase agreements, entered into by the City of Chino should be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

13.0 DIVERSIFICATION OF INVESTMENTS:

City Treasurer shall diversify its investments by security type, issuer and maturity as specified in Figure 1. The purpose of this diversification is to reduce portfolio risk by avoiding overconcentration in any maturity, sector, asset class, or specific issuer.

14.0 MAXIMUM MATURITIES

To the extent possible, the City will attempt to provide sufficient liquidity to meet cash flow needs for the City's expenditure requirements for a minimum of the next six months. The City will not directly invest in securities maturing more than 5 years from the date of settlement. Forward settlement on new issues is 45 days from the time of investment.

15.0 INTERNAL CONTROLS

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Chino are protected from loss, theft, fraud or misuse. Accordingly, the Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

16.0 PERFORMING STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the risk constraints and cash flow needs. The City's investment strategy is a ladder portfolio which is generally considered a buy-and-hold strategy with the primary focus on receiving consistent income.

17.0 REPORTING

The City Treasurer shall provide the City Council with monthly reports about the City's investments. These reports shall include, at a minimum, the following information for each type of investment held in the City's investment portfolio: the issuer; date of purchase; date of maturity; amount of investment; current market value; yield on investment; yield and total return on portfolio; income generated from investments; and a description of unusual investment activity or developments during the month for which the report is prepared. The City Treasurer shall prepare such a report for each month and shall deliver via email to the Mayor and each City Council Member within the following month.

18.0 INVESTMENT POLICY ADOPTION:

The City's investment policy shall be adopted annually by resolution by the City Council. The policy shall be reviewed annually by the City Treasurer and the City Council and any modifications made thereto shall be approved by the City Council.

19.0 GLOSSARY:

AGENCIES -Agencies of the Federal government set up to supply credit to various classes of institutions (e.g., S&L's, small business firms, students, farmers, housing agencies, etc.) Examples include Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB).

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.

BOOK VALUE (COST VALUE) - The purchase price of the security as recorded on the City's books.

BROKER/DEALER - An individual or firm acting as principal in a securities transaction.

CALLABLES - Securities that the issuer has the right to redeem prior to maturity.

CERTIFICATE OF DEPOSIT (CD) - A time deposit with a specific maturity

evidenced by a certificate. Large denomination CD's are typically negotiable.

COLLATERAL - Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

CORPORATE MEDIUM TERM NOTE -A security issued by a corporation doing business in the U.S. with a maturity not to exceed five years.

COST VALUE (BOOK VALUE) - The purchase price of the security as recorded on the City's books.

DELIVERY VS. PAYMENT - Delivery of securities with a simultaneous exchange of money.

DIVERSIFICATION - Dividing investment funds among a variety of securities offering independent returns.

FINANCIAL ADVISOR-A firm or bank that acts in a financial advisory capacity with respect to a new issue of municipal securities pursuant to a written contract.

INTERNAL RATE OF RETURN - Rate of return over the life of a security on variables.

LOCAL AGENCY INVESTMENT FUND (LAIF) - The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE-The price at which a security is trading, usually the liquidation value.

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

MONEY MARKET MUTUAL FUNDS - Open-ended mutual fund that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid and safe securities, and pays money market rates of interest. The fund's net asset value remains a constant \$1 share, with the interest rate increasing or decreasing.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO) - A rating organization designated by the SEC as being nationally recognized.

OFFER PRICE - The price at which a broker/dealer will offer securities to an investor.

OPEN MARKET OPERATIONS - Federal Reserve activity. Under the Federal Reserve Act, the Fed uses purchases and sales of Government and Federal Agency securities to add to or subtract from commercial bank reserves. Goals are to sustain economic growth, high employment and reasonable price stability.

PAPER GAIN OR LOSS Term used for unrealized gain or loss on securities being held in a portfolio based on comparison of current market quotes and their original cost. This situation exists as long as the security is held while there is a difference between cost value (book value) and the market value.

PORTFOLIO - Collection of securities held by an investor.

PRIMARY DEALER - A group of government securities dealers that serve as trading counterparties of the New York Fed in its implementation of monetary policy. This role includes the obligations to: (i) participate consistently in open market operations to carry out U.S. monetary policy pursuant to the direction of the Federal Open Market Committee (FOMC); and, (ii) provide the New York Fed's trading desk with market information and analysis helpful in the formulation and implementation of monetary policy. Primary dealers are also required to participate in all auctions of U.S. government debt and to make reasonable markets for the New York Fed when it transacts on behalf of its foreign official account holders.

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, the current income return.

REPURCHASE AGREEMENT (REPO) - A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a 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 them for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) - A reverse - repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specific date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING - The service provided by banks and trust companies for clients when the bank or trust company stores the securities, takes in coupon payments, and redeems issues at maturity.

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

SEC RULE 15(C)3 -1- See Uniform Net Capital Rule.