



## WEBINAR TRANSCRIPT

### The Public Investment Portfolio: Part 2 – Money Markets, Certificates of Deposit, Deposit Placement Services and Collateralized Bank Deposits

Wednesday, September 9, 2015

(Editor's Note: This transcript has been prepared by the California Debt and Investment Advisory Commission (CDIAC) and it believes it to be a fair and accurate reproduction of the comments of the speakers. Any errors are those of CDIAC and not the speakers.)

*Local agencies have many reasons to deposit funds into banks and other depository institutions for investment purposes. This webinar delves into the types of deposits that are permitted for local governments in California and explains the differences among them. Recent California legislation (AB 279) has affected the decisions local investment officials make regarding bank deposits. This is the second of a three part series of presentations on money market securities.*

**Disclaimer:** 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.

### **Title Slide – The Public Investment Portfolio: Part 2 –Money Markets – Certificates of Deposit, Deposit Placement Services and Collateralized Bank Deposits**

**LINDA LOUIE:** Good morning, everyone and welcome to the California Debt and Investment Advisory Commission's webinar, *The Public Investment Portfolio: Certificates of Deposits, Deposit Placement Services and Collateralized Bank Deposits*. My name is Linda Louie, and I'm the education manager at CDIAC. Before we proceed with our broadcast, I'd like to share some background and housekeeping tips quickly. If you are experiencing any technical problems, you can [call] GoToMeetings at 1-800-263-6317 or you can try the website at the address on the screen.

CDs and deposit placement services and collateralized bank deposits is part of the money market component of this nine-part webinar series on public investments that CDIAC has scheduled to run through this September. As you know, each of the nine webinars in this comprehensive public

investment series focuses on a category of statutorily authorized investments in a way that will help you understand many of the features and risks and how you might go about assessing whether or not a particular investment meets or fits your agency's investment policy objectives. So we thank you for joining us today. You'll see that the presentation slides for today's webinar are also available on CDIAC's website at the address on the screen. CDIAC has a number of different resources and recommended readings available to you on our website as well, and you can visit them on the CDIAC Education web page. In addition, the 2015 edition of CDIAC's *Local Agency Investment Guidelines* and the *California Public Investment Primer* are currently linked on the CDIAC main web page at the address listed on the screen.

If you'd like to view live captioning during the program, you can paste the address on the screen onto your browser or click on the link in the chat section at the bottom of your control panel. If you would like to receive a certificate of attendance for CPE credits, you must be registered or be logged onto the webinar under your own name for the full spectrum of the broadcast. CDIAC now has a Twitter account, so you can follow the progress of our seminar opportunities, new publications, updated legislation, and new regulatory events notices and much more to come. During the webinar, you can submit questions to the faculty by using the box marked "Questions" near the bottom of your control panel. The speakers will address some of the questions during the presentation and some may be held until the end during a question and answer session.

## **Skip Slide 2**

### **Slide 3 - Disclaimer**

**(02:44)**

**LINDA LOUIE:** Before I introduce our experts, we ask that you take note of an important notice on the screen. It's a disclaimer that basically shares with you that today's presentation is informational and does not constitute investment advice or recommendation. There are many risks, policy, portfolio and suitability factors that must be considered by agencies prior to making any investment decisions. So keep in mind the posted replay of the webinar will not reflect any changes in market conditions or investment authority.

### **Slide 2 – The Public Investment Portfolio Part 2: Money Markets – Certificates of Deposit, Deposit Placement Services and Collateralized Bank Deposits**

**(03:14)**

**LINDA LOUIE:** Today's webinar is designed to provide you with an understanding and the defining differences and restrictions amongst the various types of money market deposits under California government code along with the important changes and nuances under legislation. This includes a study of negotiable Yankee CDs and non-negotiable CDs, placement services, and collateralized bank deposits. The speakers will take you through each instrument with an analysis discussion and the allocation limits. So with these thoughts in mind, let us introduce our presenters for today's webinar.

CDIAC has the great privilege of introducing Deborah Higgins. Deborah is a founder and the president of Higgins Capital Management, Incorporated. She provides institutional pricing and services to California public agencies for over 31 years. She is an active member of various California finance and treasury associations. Deborah served three terms on the technical advisory committee for the California Debt and Investment Advisory Commission, and she continues to work with CDIAC on annual updates to the

*Local Agency Investment Guidelines* and on educational seminars and webinars. In addition, Ms. Higgins has served as a member of the investment advisory committee for the City of San Diego since 2007.

And second, we would like to introduce to you John Johnson. Mr. Johnson is the chief deputy treasurer in the Treasury Division of the Office of the Auditor-Controller, Treasurer, Tax Collector for the County of San Bernardino. Mr. Johnson also serves on the County's deferred compensation and debt advisory committee. John joined the County Treasurer's Division in 2004 as the assistant investment officer where he managed the trading of the investment pool's fixed-income short debt. Prior to joining the County, Mr. Johnson spent 15 years in the private sector as a registered securities representative. John is also an active participant in California's county treasurers association [*California Association of County Treasurers and Tax Collectors*] and the Investment Managers of Public Agencies Council, some of you may know it as IMPAC. So with these brief introductions and bios, CDIAC would like to turn the program over to our very accomplished faculty. So Debbie.

**Slide 4 – Certificates of Deposit, Deposit Placement Services, and Collateralized Bank Deposits**

**(05:43)**

**DEBORAH HIGGINS:** Thank you. Today we'd like to, as she said, go over the money market aspect of the CD portion, certificates of deposit, the deposit placement services and collateralized bank deposits. And what we're going to do today is follow the *Local Agency Investment Guidelines* table.

**Slide 5 - LAIG Allowable Investment Table**

**(05:57)**

**DEBORAH HIGGINS:** And in it you can see we are going to cover negotiable certificates of deposit, non-negotiable certificates of deposit, placement service deposits, placement service certificates of deposit, and then collateralized bank deposits. This is available in the local agency guidelines for 2015.

**Slide 6 – Table of Notes for Figure 1**

**(06:20)**

**DEBORAH HIGGINS:** Just wanted to make sure that you had the figure notes that go along with it.

**Slide 7 – Certificates of Deposit (CD)**

**(06:28)**

**DEBORAH HIGGINS:** With that, we'd like to start out talking about what a certificate of deposit is. Certificates of deposit can be called a time deposit, but be aware, and J.J. will cover that later, there can be some confusion on that. But it is a promissory note that is issued by a depository institution, such as your bank, credit union, savings association. They can be issued in a negotiable and a non-negotiable form. For simplicity, we wanted to give you basics on a negotiable CD. You're talking about an investment that usually bought by the institutional account, such as cities and counties and special districts. They're usually bought as a money market instrument, and when bought as a money market instrument, they are exempt from registration. They are assigned a CUSIP and they do trade on the secondary market. Just for those of you in the audience that may not be aware, the CUSIP basically was designed by the Committee on Uniform Security Identification Procedures by the American Banking Association, and it is the alphanumeric code that identifies North American financial instruments for the purposes of clearing and settlement of trade. Non-negotiable CDs are usually bought by individuals directly from a depository institution. When you buy a non-negotiable CD, they're usually unregistered.

There is no CUSIP assigned and no active secondary market. Most non-negotiable CDs normally have a penalty for early withdrawal.

### **Slide 8 – CD Characteristics**

**(08:07)**

**DEBORAH HIGGINS:** Some of the characteristics of the CDs: they entitle bearer to receive interest, there is a maturity date with a specified fixed interest rate, and they can be issued in any denomination. And as you are aware, they are insured up to \$250,000 by the FDIC. Terms in CDs generally range from one month out to five years, but they can go out longer and in this interest rate environment, we have seen issues anywhere from 10 to 15 years.

### **Slide 9 – Ways to Purchase CDs**

**(08:37)**

**DEBORAH HIGGINS:** There are several ways in which you can buy a CD, and this is where it starts getting confusing on where to go, what to go, what's your percentage. You can buy it directly from the depository institution. You may be getting calls from a deposit broker. You can buy from a broker-dealer or a brokerage service of a broker-dealer, and then you can also purchase your CDs through a placement service.

### **Slide 10 – Negotiable CDs (NCD) 53601(i)**

**(09:07)**

**DEBORAH HIGGINS:** To start out, we'd like to talk about the first entry in the table for the permissible investment, the negotiable CDs under 53601(i). And these are negotiable certificates of deposit that are issued by the nationally or state-chartered bank or savings association or federal association. Also, a state or federal credit union or by a federally licensed or state licensed branch of a foreign bank. That's your Yankee CD. Right now, California code says that you can purchase not to exceed 30 percent of your money, and you have to take a look at what's happening with your placement service CDs if you're involved in that arena. This is the case until Assembly Bill 283 goes into effect on January 1, 2016, and J.J. later in the presentation will talk about what's happening there.

### **Slide 11 – Negotiable CDs (NCD) 53601(i) (cont.)**

**(10:06)**

**DEBORAH HIGGINS:** One of the things that about negotiable CDs that's crucial is any one of your legislative body, treasurer or official at your entity are prohibited from investing local agency funds anywhere where they are also a member of a legislative body of that entity. For example, we had a city that had a board member who recommended that the city buy credit union CDs. They were only buying brokered CDs. Unfortunately, the board member is also on the board of the credit union, and you need to be aware of all of that intricate dupe in coverage and dealing with money because if you have a board member come to you and they say, hey, this is a great credit union, and they're also involved on the investment side, that is prohibited and you need to be aware of that and remember that.

### **Slide 12 – Negotiable CD (NCD) Characteristics**

**(11:04)**

**DEBORAH HIGGINS:** The characteristics of a negotiable CD under (i) for public entities is maturities less than 13 months are treated as a money market instrument, like a cash equivalent. So you're talking about when J.J. goes into the negotiable CD market, which he's going to show you a couple of his trades,

they're equivalent to Treasury bills, banker's acceptance, commercial paper. And when you're looking at a negotiable CD in that short time frame, then there are short-term ratings scale that apply, and we will be going over that. Negotiable CDs in the money market area are called add-on money market instruments because the interest rate is added-on, and you're not buying them at a discount. Other examples of that is if you do Fed funds or repo. It's an interest rate on top. Right now, California code is the maximum five years, and if you go and buy anything past the 13 months, then you need to switch your focus and you need to look at long-term rating scales and that's what you should be basing your decisions on. The main focus and function of the negotiable CD in the money market is to provide liquidity. There's very low credit risk default as most of the issuers in that market are credit noteworthy names, and you can buy fixed or floating rate structures from that.

### **Slide 13 – Negotiable CD (NCD) Characteristics (cont.)**

**(12:34)**

**DEBORAH HIGGINS:** Some additional characteristics that you need to be aware of, again, credit worthy large money centered banks and large regional banks are the most frequent issuers. Institutional investors such as states, large cities and counties, they're going to do their due diligence when looking at a negotiable CD and they can buy in size, such as increments of \$25 million. If you are looking at the negotiable CD, again, on the shorter term less than 13 months, it is exempt from registration under the Securities Act of 1933. Again, assigned a CUSIP, very active secondary market, and the ratings that they have are money market ratings where you are looking at A1/P1/F1, and then if you are buying out longer, then you are going to start looking at the Moody's, S&P and Fitch as A1/A3/A- structure.

### **Slide 14 – Bloomberg - NCDs Offerings**

**(13:29)**

**DEBORAH HIGGINS:** I wanted to take a minute. We wanted to show you this. This is Bloomberg's BOOM screen, and this gives you an idea of what we're talking about when these banks come in, and they're looking to invest and looking to fund and raise money. You can take a look. We've got a 5/27 maturity. Here's the coupon that they're paying. That's the add-on. There's the rating, A1/P1/F1. They are going to tell you it's a Yankee CD program and it will give you an idea of 270 days to maturity and every morning, you can go on and take a look at what banks are out there and what kind of levels to take a look at what you want to buy.

### **Slide 15 – Money Market Ratings Scale**

**(14:12)**

**DEBORAH HIGGINS:** Money market ratings on the less than 13 months. Moody's, they're going to be talking about P-1, which is superior, P-2, which is strong, and P-3, which is acceptable. S&P goes in with a A-1+, A-1, A-2, A-3. So as showing you in the earlier slide, A-1+/P-1 means you are buying the highest standards in the short-term ratings scale that you can get.

### **Slide 16 – NCD Domestic (CD) – BMO Harris**

**(14:41)**

**DEBORAH HIGGINS:** We wanted to talk about two different types of CDs and kind of give you an idea how the program works. The first one was BMO Harris Bank. They're actually headquartered in Chicago, so as you can see by the red arrow, this is a U.S. CD. They will post their money market programs. They will give you a base CUSIP, and they will give you their ratings and then basically you can take a look at what they're being offered and sometimes on reverse in query you can come in and say, this is what I'm

looking for, and this is what I'd like to do. They will let you know whether they will work with you on creating a negotiable CD for your portfolio.

**Slide 17 – San Bernardino County Security Set-up (15:27)**

**DEBORAH HIGGINS:** We wanted to feature BMO Harris because San Bernardino owns one, and then we want J.J. to take over and give you an idea of what he's looking for when he goes into a particular negotiable CD.

**JOHN JOHNSON:** Thank you, Debbie, and good morning, everyone. Here at the County, we're pretty aggressive buyers of negotiable CDs and Yankee CDs. They provide us with a lot of flexibility to target a specific cash flow need. We generally buy in increments of \$25 million to \$50 million in order to do so. They do offer secondary liquidity, which we like. These are registered securities. However, they're not Treasuries. We have from time to time sold negotiable CDs and/or Yankee CDs, and you have to work the bid to get a good price. It is a credit. It is trading as a credit, and so market conditions apply. But there is a good, robust secondary market for these securities, and oftentimes you – if you have a direct relationship, you can go directly to the desk, and they will, you know, entertain buying that security from your portfolio.

**Slide 18 – San Bernardino County Trade Ticket (16:46)**

**JOHN JOHNSON:** In this particular instance, we are owning a BMO Harris Bank negotiable CD. Now Harris Bank, again, is a U.S. bank that was purchased by Bank of Montreal out of Canada. They are one of our approved issuers. All the monies that are raised in the negotiable CD market for the Harris Bank stay on the Harris Bank balance sheet, but the bank is a wholly-owned subsidiary of Bank of Montreal, so we believe that there is strong support. The support level on this particular bank by Fitch is 1, which is the highest. You can pick up a few extra basis points generally. That's not always the case, but generally overbuying the Yankee CD from Bank of Montreal. These are only available direct. I have not seen the Harris Bank offered through BOOM and other platforms.

**Return to Slide 17 – San Bernardino County Security Set-up (17:55)**

**JOHN JOHNSON:** As you can see at the time this was rated, the Harris Bank was rated A+, A2, AA-.

**Return to Slide 16 – NCD Domestic (CD) – BMO Harris (18:06)**

**JOHN JOHNSON:** If you look at the previous screen, it has been upgraded to Moody's Aa3, which is a positive. Again, very, very strong credit quality.

**Return to Slide 17 – San Bernardino County Security Set-up (18:21)**

**JOHN JOHNSON:** The tier 1 ratio of this particular bank is roughly 15.3 versus a little over 10 for Bank of Montreal. Of course, Bank of Montreal, the parent, has a much larger balance sheet. Any rate, we like the credit. And again, we do credit research on all of our issuers, and it is our responsibility to know these credits in our portfolio and know how they'll act and react to, you know, market conditions. For example, the Canadian banks, we still believe they're the strongest banking system on the planet.

However, because of the decline in commodity prices, mainly oil, there is some pressure on the Canadian economy, and we're watching that. And we're watching Bank of Montreal and others for pressures building as the economy goes through these cycles. So again, it is your responsibility to treat these as a credit. However, some of these may be offered in the secondary market in \$250,000 increments. I do not believe Bank of Montreal Harris does so, but frankly, I'm not 100% sure because we buy in the \$25 to \$50 million size.

### **Return to Slide 18 – San Bernardino County Trade Ticket (19:53)**

**JOHN JOHNSON:** At any rate, why do we buy these? Well, because of the spread. The spreads are quite attractive. This morning one-year spreads were somewhere in the – anywhere from the 60 to the 70 basis point area versus, say, 36 basis points on one-year T-bills, so that's quite attractive.

### **Slide 19 – San Bernardino County Trade Summary Sheet (20:15)**

**JOHN JOHNSON:** So looking at a trade summary sheet on this particular trade and just to explain this, at the county of San Bernardino we do a lot of documentation. All of our trades are preapproved. You can see a recommendation number up at the top left corner. That is a preapproval to purchase specific securities and specific amounts. After we place trades, we take all of our trade documentation and we package it together and produce a trade summary sheet. That way management can see that we are making good relative buying decisions, that we are following our policy to get the best available yield within that maturity range, and that we're not favoring a particular broker or something like that. So that we're just doing things as per our policy.

So you can see that the BMO Harris Yankee CD, which was 375 days from trade date in maturity, staying at 45 basis points. There's a \$25 million principal purchase. Bank of Nova Scotia, their Yankee CD was trading at 39 basis points. Nordea, which is another name on our list, a Norwegian bank, was paying 29 plus. And Toronto Dominion was paying 39 basis points, so 45 was quite attractive. Again, little notes, we sold some Treasuries and bought this security.

### **Slide 20 – NCD Yankee (YCD) - WestPac (21:51)**

**DEBORAH HIGGINS:** Also, we'll take a look at WestPac Banking Corp. This is an Australian bank. It is one of the big four in Australia. You can see in these money market programs they will label what type of program type you're looking at, a Yankee CD, in this case. They're going to issue base CUSIP, and then as you take a look or work with this particular bank in their funding needs matching your investment needs, you can go in and discuss with them and see about what kind of thing you'd like to buy. Again, as we talked about here, your short-term rating, which is in this case you're talking about the money market program. We're looking at the short-term, and then of course, they'll give you a long-term rating as J.J. said. Once we start moving out past 13 months, then you start wanting to look as you're reviewing the credit because it is a promissory note from this bank that you want to be looking at their long-term rating. We picked this one because it is a program type of a Yankee CD, very different than BMO which is headquartered in Chicago, and then the parent out of Toronto. This is WestPac out of Australia.

### **Slide 21 – San Bernardino County Security Set-up (23:07)**

**LINDA LOUIE:** Debbie?

**DEBORAH HIGGINS:** Yes.

**LINDA LOUIE:** For the audience, would you define “Yankee?”

**DEBORAH HIGGINS:** Yankee is where you have a federally or state licensed branch of a foreign bank. So when WestPac comes into the marketplace, for example, they are federally licensed or state licensed by New York, which you can see up here. They're at least in New York, and when we give them that federal licensing or state licensing, they can come in and issue their paper, and then it becomes a Yankee CD because they are headquartered and owned and operating outside of the United States. In this case, Australia.

**LINDA LOUIE:** All right. Thank you.

**JOHN JOHNSON:** And again, generally on a Yankee CD your deposit will roll up to the foreign parent balance sheet, although they may use those funds locally, for example, to fund securities, you know, margin or operations here in the United States because, obviously, the deposits are in U.S. dollars.

**DEBORAH HIGGINS:** So J.J., do you want to tell them why in this particular instance you picked this one?

**Slide 22 – San Bernardino County Trade Ticket (24:28)**

**JOHN JOHNSON:** Well, again, this is a very similar trade to the previous trade. Again, we do buy the Australian banks. We are comfortable with the Australian banking system. We consider it to be a strong system. Again, we do a SWOT analysis on each and every issuer that we purchase. They do have some exposure being Australia to what is happening in China and Asia. They are a very commodities-driven economy, much like Canada. So we're watching those factors. But nonetheless, we're comfortable with the banking system. They're well capitalized. A few of the banks are going through the process of raising additional capital. We're comfortable with the credit, and we follow it and own it as a credit. We – if you go to the next slide, Debbie.

**Slide 23 – San Bernardino County Trade Summary Sheet (25:32)**

**JOHN JOHNSON:** You can see a similar trade summary sheet. We purchased a WestPac CD, roughly 371 days from trade date. This is a 13-month CD basically. It carries the short-term ratings. Again, 46 basis points versus BMO at 25, a Freddie Mac discount note at 26, and Toronto Dominion Yankee CD is at 38. So a very, very attractive yield, and we also you see at the bottom, we make notes if something is attractive and we didn't purchase it, we may make notes and tell management, you know, why we didn't purchase to this specific date or why we didn't purchase this issuer over that issuer. It may be for cash flow purposes. We may have been able to improve the level over what was printed in the document. Again, you're not seeing those. You're just seeing the cover page.

**LINDA LOUIE:** J.J., will you explain to the audience what it means when you do a reverse inquiry?

**JOHN JOHNSON:** Yes. Oftentimes we will get a list of offerings either direct from the issuer or, you know, from a broker, and they may or may not have the maturity that we want. So we just call and ask: "Hey, we would like you to entertain writing us a \$25 million CD to X date that you're not currently showing." In some cases, we can actually ask them to improve the level so that it's more competitive with other issuers that we're seeing but we might be full on, and they will do it. Just a little bit tidbit of advice: always ask. It doesn't hurt to ask. If you're looking at a particular CD and you need a different maturity, call them up and ask them. Generally, they can, you know, work with you. Another little tidbit of advice and I don't know if we really need to go all the way back to the BOOM screen, but generally when they're posting these levels on the Bloomberg BOOM function, they're just posting the levels at the beginning of the morning, and they're giving you total program size. Those are in white. In other words, the offerings are in the color white. If they're in the color blue, that means that they actually own those CDs, and they have them in inventory. That means you can bargain with them and maybe get them to improve on the price.

**LINDA LOUIE:** J.J., going back to the slide on 22, would you help the audience identify the country of origin or where the headquarters are of the country and your accounting trade ticket?

**DEBORAH HIGGINS:** You want me to go back to 22?

**Return to Slide 22 – San Bernardino County Trade Ticket (29:56)**

**LINDA LOUIE:** Yes. There you go. We're having a hard time identifying the counties – the country's origin.

**JOHN JOHNSON:** Okay. Well, this doesn't necessarily show up on the trade ticket. If you go to the DES, we include a DES screen on – as a backup with each trade ticket. Of course, all of our program tickers are preapproved, and we maintain an approved issuer list. And so we know whether or not the program is, you know, a true Yankee – in other words, U.S. based, or if it's not. So if you go to slide – I think the previous slide. Do we have the DES screen? Slide 20.

**Return to Slide 20 – NCD Yankee (YCD) – WestPac (29:53)**

**JOHN JOHNSON:** You can see that the program is a Yankee CD. If you – and this is on the left side of the DES and you can look down at country currency – you want to check to make sure that that says U.S. and U.S. dollar denominated. So U.S. domicile and U.S. dollar denominated. If it is domiciled in a foreign country, it is not a Yankee CD, and so you want to be very clear when you buy these that you're buying the correct security and the correct ticker.

**DEBORAH HIGGINS:** Linda, up here where it says ticker issuer, this WSTNY, if you had a Bloomberg and we could – as a broker, I could send that out for, you know, clarification. Each one of these tickers is very specific to the money market negotiable CD program on Bloomberg. That is the identifier from the standpoint of where they're from. From that, you can go in and see exactly where that issuer is domiciled.

**LINDA LOUIE:** Okay. That's really good.

**JOHN JOHNSON:** You can also ask them to provide you with an offering statement or a term sheet for your specific security that was created for you. That is something that you can keep with your trade documentation for your auditors. Now, a little bit of caution, and I don't believe we have a screen that illustrates this, but on floating rate Yankee CDs and negotiable CDs, Bloomberg uses the corporate note platform to create the DES as well as the trade ticket. You can dummy up a money market ticket on Bloomberg, and if you don't have Bloomberg, you can ask your broker to do so, but it's quite difficult. In some cases on Yankee CDs, same ticker, if you're buying a floating rate security, it will map to the parent as opposed to the Yankee branch. In order to get around that, what you need to do is be sure to ask for the offering statement to include, and then you might have to make some notes on your trade ticket that this is, indeed, a Yankee CD from the Yankee branch. That is just a technical issue that is yet to be resolved with Bloomberg.

**DEBORAH HIGGINS:** One thing that J.J. commented for the audience was, you know, this is a program and it's an ongoing program, and that's what this base CUSIP is all about, where it starts at 96121H through 21T.

**Return to Slide 21 – San Bernardino County Security Set-up (33:06)**

**DEBORAH HIGGINS:** If we go to the next page, you can see that San Bernardino's I.D. is 96121TYQ5. So this is how they give you a series for the CUSIP, and then as you're building – and this is very unique to money markets – you're building your money market I.D., this is very similar to those of you that buy agency discount notes where you go in and there's a series and then all of a sudden there's a CUSIP that's assigned as they're running their discount note program.

**LINDA LOUIE:** Okay.

**Return to Slide 22 – San Bernardino County Trade Ticket (33:39)**

**JOHN JOHNSON:** Generally speaking, what we will do, because we need to put a recommendation number and notes on our ticket, we will create – well, the broker or the issuer will send us a ticket for the security that we have purchased.

**Return to Slide 21 – San Bernardino County Security Set-up (34:03)**

**JOHN JOHNSON:** We generally will create our own security, plug in that information, produce our own trade ticket so that we can plug in our recommendation number and notes and use the format that works for our settlement staff. That's why you'll see, you know, security created by either myself or in this case, John Byerly.

**LINDA LOUIE:** All right. I know we are going to talk about federal insurance in a while, but are Yankee CDs federally insured?

**DEBORAH HIGGINS:** Not above 250.

**LINDA LOUIE:** Okay. Thank you.

## Slide 24 – Brokered Certificate of Deposit

(34:39)

**DEBORAH HIGGINS:** Then we wanted to – moving away, again, as what we were talking about earlier with the negotiable CDs from the standpoint of 13 months and in, we wanted to go over what you may be seeing out there and getting calls from are brokered certificates of deposit. And there is specifics to this. You need to understand that a brokered CD in general is a certificate of deposit that is purchased through a brokerage firm, or you can actually purchase it from a sales representative other than a bank. That's your deposit broker. We wanted to make sure that we kind of went in and gave you an idea of what we're talking about. Brokered CDs from a broker-dealer such as Higgins Capital, you need to be aware are part of a master CD that is a negotiable instrument. So if you're buying your CDs from a broker-dealer, know that most of those names are under a master CD, which is a negotiable instrument. As you're looking at the CDs and how much you can buy within FDIC, you need to be aware that there are specific needs that if you meet from the FDIC, then your different political subdivisions are entitled to their own insurance, but it's very specific what has to happen in order for that to be the case.

This is something that I, you know, think you guys should take a look at. Here's the link to go in. They will give you the specific needs you need, and if you were able to, you know, talk with your legal and determine that you meet those needs, then if you happen to have a couple of subdivisions that you're running, working with investing, you may have an opportunity to do more than one FDIC-insured CD. Again, take a look at what the FDIC requires, make sure you get the okay from your legal, and this is something that at least we want to make sure that you are aware of when you are looking at the smaller CD market.

## Slide 25 – Brokered CD (Under Negotiable Master CD) Characteristics

(36:49)

**DEBORAH HIGGINS:** Brokered CDs, what we wanted to do in this particular piece of the webinar is to talk about those brokered CDs that are under the negotiable master CD program, and what those characteristics are. Most of the brokered CDs have maturities that can run either one month out to five years, but again, as I mentioned earlier, with this interest rate environment at 0 to 0.25 over the past – we're on our seventh year – programs have maturities that have been going out to the most I've seen so far is 15. Brokered CDs under master CD program are sold by the brokerage firms to their investors, but it is still an obligation of the bank. Therefore, FDIC limits apply.

When you're talking about these brokered CD programs at a broker-dealer, the big banks that are the frequent issuers that are coming in all the time, they're known as program names. Ally Bank, Capital One, Discover, Synchrony, ex-GE Capital Retail. They are the ones that are in that you can see coming in every week and posting levels. They're the ones that have the most funding needs that are continuous. Credit card companies, for example, or autos, for example. They're the ones that also decide what size that they're going to do for their funding needs and what size they're going to allocate to the different dealers. For example, they come in on Monday, and usually if they're aggressive in their postings, they will be sold out by Friday. When you're talking about the brokered CD market that is a part of a master negotiable CD, they are registered with the SEC, which is the Securities and Exchange Commission. They are assigned a CUSIP, and there is a very active secondary market for these brokered CDs.

## Slide 26 – Brokered CD – Capital One NA

(38:53)

**DEBORAH HIGGINS:** What we wanted to do is just give you one example of why we've seen more and more of the smaller entities take a look at this market. Capital One NA came in, I think this was last week, and these are the different levels that they're posting. In this particular instance, Capital One was coming in and looking to raise \$50 million by one dealer, 10, 10, 10, 10, 10. What we wanted to do, they post for the week of 8/31. They gave \$50 million to one dealer and they'll divvy that out depending on whether they need \$100 million, \$150 million, \$250 million for their funding. There aren't any state restrictions, and this was for settlement on September 10. One of the things you need to be aware of in the brokered CD market, we're supposed to be looking at that, but sometimes if you have a local bank or a California bank, they may have restrictions in being competitive in the brokered CD space and then competing with themselves in their state. So they may have state restrictions for California, or they're in Florida and you can buy it everywhere but Florida. Be aware of that, depending on where you are.

#### **Slide 27 – Brokered CD – Capital One NA (cont.)**

**(40:14)**

**DEBORAH HIGGINS:** When you are looking at a brokered CD because it is registered, you are not going to have to go in and create your own security. Although, when they do come in and fund, they will come in and say, you know, I'm looking to raise \$50 million in three years. Then you may have to give it some time for them to assign the CUSIP, meaning that day. So they're already in, and they will assign CUSIPs. You can take a look, again Capital One North America, U.S. domestic, U.S. country, U.S. dollar certificate of deposit. That's what you're going to be looking at for the brokered CDs.

#### **Slide 28 – Capital One NA Yield Comparisons**

**(40:57)**

**DEBORAH HIGGINS:** Then when you take a look at why we've seen more interest, I wanted to give you – you can look at this on your own time, but 18 months, their 2-year comparable Treasuries, comparable agency bullets. So on the 3-year we were talking about, Capital One was posting a 1.65 fixed to 9/10/18. A Treasury can get you 1.12, so you pick up 53 basis points. An agency bullet was at 1.16 for 48-odd basis points pickup in yield, so that's why some of the entities are taking a look at these smaller CD, FDIC 250 limit CDs.

#### **Slide 29 – Non-Negotiable CDs (Federally Insured) – 53635.2, 53637, 53638, 53653 (41:42)**

**DEBORAH HIGGINS:** You can also go in and buy non-negotiable CD, and if you remember on – we have it on the table non-negotiable, but there's not really anywhere from like non-negotiable – well, negotiable CDs are in (j) in the code and they list what you can do. There's so many things you need to cover when you're doing a non-negotiable CD. It's covered in 53635.2, 53637, look at 53638 and then 53653, which will give you – each one of these will give you an idea of what you have to look at because a non-negotiable CD is a promissory note that is issued by a depository institution, and usually it carries a penalty for early withdrawal. These are bought mostly by individuals directly from the bank. However, in this environment deposits can be raised over the Internet. They can be raised through a CD service. There are a lot of other means such as deposit brokers where you may be getting calls about a CD. So you need to know what you're looking at and whether it is non-negotiable or whether it's a brokered CD and there's a secondary market.

You should be aware that there are deposit brokers out there, and they don't necessarily have to be licensed or certified, and there is no state or federal agency that approves them. So be aware of that if

you're getting calls. Non-negotiable CDs are unregistered, there is no CUSIP and there is no secondary market. J.J., you wanted to give them an idea about what you're talking about on these Euro time deposits?

**JOHN JOHNSON:** Sure. A number of U.S. banks will actually offer institutional Eurodollar time deposits along with their commercial paper or their negotiable CD runs. What this instrument is is basically a – it's non-negotiable. They're not registered. There's no secondary market. They are a deposit that is placed in a subsidiary – a foreign subsidiary of a U.S. bank. In other words, if they have an entity in the Cayman Islands, that's where your money goes. It stays in U.S. dollars. Don't let "Eurodollar" confuse you. These are in U.S. dollars, but they're used for hedging and, you know, Forex operations and trading. You know, it's a balance sheet mechanism. For example, U.S. Bank will offer institutional Eurodollar time deposits, and just be aware that they're not approved by code. If you're going to put money in a bank, it has to be either negotiable with a secondary market registered, has to be collateralized, has to be FDIC or National Credit Union Association insured, or it has to have a letter of credit that backs it.

You cannot have uncollateralized, uninsured securities in your portfolio that have no secondary liquidity. So be cautious of these. They're very – at U.S. Bank, they will not sell a California entity one of these, but it is posted on their run. However, it's buyer beware. If you see something that's just labeled "time deposit," don't just assume that is a negotiable CD. Make sure that you understand exactly what you're buying and that you're not accidentally purchasing a Eurodollar time deposit, which, again, is not a negotiable instrument.

**DEBORAH HIGGINS:** Keep in mind this is where it can get confusing because time deposits in the investment arena are more likely going to be institutional Eurodollar, but time deposit in a definition like earlier in the presentation where they said certificates of deposit is a time deposit and promissory note, that's a definition, and that's kind of faded away. So when you're looking at an investment and an instrument, know that time deposit in this arena is more likely going to be an institutional Eurodollar and buyer beware, as J.J. said.

### **Slide 30 – Placement Service Assisted Deposits – 53601.8 & 53635.8 (46:17)**

**LINDA LOUIE:** So if there are local governments who are coming through their investment policies and seed time deposit, they should research that and find out the source?

**DEBORAH HIGGINS:** J.J.? That's a tough one because there's so many changes on time deposit, certificates of deposit, and I know he feels one way. Again, my comment was it was just a definition. J.J., what are your comments on how to handle code that is mentioning that? I've seen it in bigger accounts that still say that, that they're referencing domestic CDs, not the Euro. Do you have a comment on that or not?

**JOHN JOHNSON:** That is legacy language. Again, time deposits and certificates of deposit are used interchangeably. An institutional side time deposit generally means a Eurodollar time deposit. So you would probably need to look at that in your investment policy and define exactly what a time deposit means. Are you talking about a collateralized CD or a FDIC-insured CD? It would probably be a good idea to clearly define what a time deposit reference is in your portfolio.

**DEBORAH HIGGINS:** Then we wanted to go and add more fuel to the fire with the addition of placement service assisted deposits, and these are covered under 53601.8 and 53635.8. This is the definition, and basically the key here is when you use a private sector entity that assists you in the placement of deposits. What you are going to realize is there's a multitude of conditions that apply when you're doing this.

**Slide 31 – Placement Service Assisted Deposits – 53601.8 & 53635.8 (cont.) (48:17)**

**DEBORAH HIGGINS:** We wanted to begin to cover what happened with the AB 279 and then how things are changing effective in 2017, and J.J., why don't you give everyone an idea of what's going on and what happened?

**JOHN JOHNSON:** Sure. First of all, this is a delightfully confusing section of code. Originally, I believe it was 2004, these code sections were added to the California code to allow for the purchase of CDARS, which was a program that was solely offered by Promontory Financial. The language in the code used terms like certificates of deposit because that was how their program was structured to use certificates of deposit as the funding vehicle. To simplify what these categories of investments do, they take FDIC-insured deposits and CDs. The administrator bundles them together so that you can have more than \$250,000 of FDIC insurance coverage. That's all that they do. That is the goal of these two code sections.

Now, the existing law and it says until January 1, 2017, and there's an asterisk there, that has been changed with the passage of AB 283, which will become effective January 1, 2016. You know, it authorizes basically up to 30 percent of the portfolio to be invested in these types of products. However, there are some current restrictions that will be in place through the end of this calendar year that if you do want to invest in any of these products, you need to be keenly aware of. You can go to the next slide.

**Slide 32 – Placement Service Assisted Deposits – 53601.8 & 53635.8 (cont.) (50:25)**

**JOHN JOHNSON:** The limits are, and this is the current limits. No more than 30 percent of the agency's money may be invested in deposits including CDs, certificates of deposit, through a private sector placement service. Also, no more than 30 percent of the agency's money may be invested in CDs through a placement service and including negotiable CDs, which are defined under 53601(i). Also, excluding certificates of deposit, no more than 10 percent of the agency's money may be invested with any one private sector entity that assists in placing deposits. What that means is simply if the makeup of your investment with the particular placement service is derived from NOW accounts or DDA type accounts and not certificates of deposit, then there is a 10 percent limitation per private sector entity. This was added, I believe, in the Senate Finance Committee with AB 279, and the objective was to increase competition and not limit competition.

Well, there's only a handful of vendors actually offering these products in the state, and it's actually done the opposite. There's a 5-year maturity limit that applies unless it's preapproved by the legislative body, there's no minimum rating specified, but full amount of deposit shall at all times be FDIC-insured or National Credit Union Association insured, and the selected depository institutions shall be the custodian for each deposit. One thing to be careful about when using these products is that it's your responsibility to make sure that your money is FDIC-insured. If you're using two vendors and there are deposits with the same institution with two different vendors, you may not be fully insured. That is your

responsibility. Generally, the vendors will be more than happy to exclude specific names from your deposit so that that condition doesn't happen. But you need to monitor it, and you need to make sure that at all times your money is FDIC-insured. Again, for those of you who buy negotiable CDs, until the end of the year when AB 283 takes effect, you know, you need to be cautious because that reduces your 30 percent total opportunity to invest in negotiable CDs and/or placement service CDs. Next slide.

**Slide 33 – Placement Service Assisted Deposits  
AB 283 (Effective January 1, 2016)**

**(53:33)**

**DEBORAH HIGGINS:** Another thing that you need to be aware of is, as he was saying, you've got it monitor it. So the whole point of a placement service was, I think, flexibility. But if you're buying brokered CDs from me and then you're investing in a placement service, you've got to tell them for every CD that you buy away, you're going to turn around and have to tell them, please exclude this. So it starts creating quite the paperwork trail for you and time consuming to keep up with what you own and what you don't own.

**JOHN JOHNSON:** Yes. Thank you, Debbie. Okay. AB 283, I'd like to thank Assemblyman Matt Dababneh for introducing this legislation. He's the Assembly finance chair, and many investment managers over the years have chimed in regarding these two code sections. Finally somebody listened, and so we really appreciate him for bringing forth this legislation, and it has passed both houses and been signed by the governor and will be in effect January 1, 2016. This is what it does. It essentially extends the sunset date from 2017 to 2021. It removes the inclusion of NCDs and Yankee CDs authorized under 53601(i) from the 30 percent combined limitation. That way you are not removing capacity to buy Yankee CDs by investing in these programs if you're buying CDARS. The legislation also removes the 10 percent limit per private sector placement service on non-CD placement assisted deposit accounts, and so that allows you more flexibility to go to a particular vendor. You can put more than 10 percent in a vendor, and the rule basically now states that the law states that you can put 30 percent in placement sector placement products and that's it. In other words, you can do any combination of the two, and you're not limited to the 10 percent. So that is a positive.

Again, you must do your due diligence to ensure that your vendor is doing what they say they're doing by simultaneously swapping your deposit into FDIC-insured products, that you're monitoring, the CDs and/or banks that you own for deposits in these programs, and that you're fully covered. Again, AB 283 dramatically simplifies this language. For example, we here at San Bernardino County do not buy CDARS simply because it would remove our capacity to purchase negotiable CDs. So maybe later on we may consider adding CDARS to our portfolio and our investment policy, although right now from what I've seen, the banks are not really wanting deposits that badly, and so the yields are pretty low. That could change with market conditions and could possibly change when the Fed raises interest rates.

**DEBORAH HIGGINS:** That's a good point because that's what I've seen, too, over the past two or three years. At one point it was real easy to move in the CDARS and roll through and you got a nice level and it was competitive, and they just went from bank to bank. As their funding needs have diminished with all of the regulations that they're facing, those yields have dropped to where they don't want the money. What I've seen, too, on the bigger accounts that we handle such as like J.J. where he's not going to invest half a million or a million or two, they don't want to accommodate the size at all. So be aware of

that. They just don't have the banks that are going to be willing to take, you know, \$5 million, \$10 million, anything of size that would benefit the bigger entities.

### **Slide 34 – Examples – Private Placement Services**

**(57:56)**

**DEBORAH HIGGINS:** We wanted to touch base when we talked about private placement services, when CDARS first came out and I can't remember how long ago it's been, but they are basically – it stands for Certificate of Deposit Account Registry Service – and it is a private CD placement service that allows you, like J.J. said, to purchase more than \$250,000 in CDs from a single financial institution. And there you must participate in the program, and then CDARS will roll, roll, roll through the different entities that they have so that your money is insured. Things have changed. There's now also Federally Insured Cash Account, FICA, which is a proprietary cash management vehicle by StoneCastle Partners, and it is an FDIC insured liquid structured bank deposit vehicle. So a lot of you need to be aware as you're revamping your investment policies that you've got to pay attention to the language because if you say you can only do CDs, you may limit yourself because certificate of deposit is kind of gone the way of deposits. So make sure that you're aware that that limits what you can and cannot do in general and in private placement, you have CD placement and then you have straight deposit vehicles that are out there.

### **Slide 35 – Collateralized CDs – 53601(n)**

**(59:26)**

**DEBORAH HIGGINS:** Collateralized CDs are covered under 53601(n), and the key here is that the notes, bonds or other obligations have to be at all times secured by a valid first priority security interest. They are 5-year max maturity on a collateralized CD. You do not have any percentage limit, but they're unregistered. There is no assigned CUSIP and there's no secondary market. There's a huge list of what you have to do as a public entity and what the bank is required to do in order to take and collateralize your CDs. For a quick reference, we wanted you to know that in CDIAC's LAIG pages 16 and 17 under section II. B, they go into detail about the requirements for an institution to hold local agency monies. Again, 53652.2.

### **Slide 36 – Quick Recap**

**(1:00:32)**

**DEBORAH HIGGINS:** From a quick recap on what we've talked about today, you have the negotiable CD market that J.J. participates in, which is a money market instrument. Usually, maturity is less than one year. When you're talking short-term, those particular short-term are exempt from registration. They have a CUSIP, and there's a very active secondary market. Again, FDIC limits do apply, but in the negotiable money market CD arena, they're mostly the institutional size purchases where you talk and they're buying \$5 million, \$10 million, \$15 million, \$25 million, and that's where they're doing their due diligence. Thirty percent combined maximum with placement service until January 2016.

The broker-dealer CD market is a part of a master negotiable CD program. Those are registered because you go anywhere from one month out to five years or longer. There is a CUSIP. There is an active secondary market. FDIC limits apply. Again, mostly one month to five years, five-year maximum maturity by code and percent portfolio limits could apply. J.J. and I had a conversation about the ambiguity of the code from the standpoint of when you talking FDIC insurance. J.J., do you want to comment on that before we go on to non-negotiable?

**JOHN JOHNSON:** Well, the anomaly here is that a lot of FDIC-insured marketed CDs are also registered, and so it's under what code section does it fall into? My opinion is that FDIC insurance – that removes the credit risk. Your credit risk is to FDIC, so my thinking is you could put 100 percent of your portfolio in FDIC-insured products if possible. That may not be the most prudent thing to do from a diversification standpoint, but the FDIC insurance, obviously, trumps the marketability aspect of negotiable CDs. Again, a lot of these negotiable CDs are sold in \$250,000 increments, and they are registered and FDIC insured.

**DEBORAH HIGGINS:** A note from what I see because every year I get updated investment policies from our clients so that we know what you guys can and cannot do. It does get confusing, so again I think this is something that definitely going into 2016, if you can update or amend, pay real close attention to what the actual code says about how to invest in the CD because I have seen accounts that have negotiable CDs in their portfolio, and then they will look at their brokered CDs as much because they are technically negotiable and then they're at a 30 percent limit. I've seen others that will have negotiable CDs using them in their investment policy like J.J. using it as a money market, and then they will comment on different CDs and then they don't have a limit. So just be aware that there is some ambiguity there on where to go, and I'm kind of in the camp with J.J., but it's your investment policy and your legislative body that has to agree if you're FDIC insured, it's more a function of diversification than concern for me. Non-negotiable CDs are those that are normally purchased – hello?

**JOHN JOHNSON:** Yes, we're here.

**DEBORAH HIGGINS:** Non-negotiable CDs normally are those purchased directly from the depository. Those are the ones that are unregistered, no CUSIP, no secondary market. Your FDIC limits will apply. Five years max. Technically, percent portfolio limits do not apply. So, again, that's where we come in with the FDIC, and does that matter in what's happening? Placement service deposit CDs, that's your service that allows a local agency to go in excess of 250 in CDs or deposits and they're placing the money with other institutions while maintaining that coverage for you. And right now until the code changes, 30 percent combined with negotiable CDs and 30 percent inclusive if you're using CDARS as a CD service and/or FICA as a deposit service. You have to be aware where those limits are until things change January of 2016.

Collateralized CDs, again, very in-depth what you have to do and what the bank has to do in order to take your monies. Non-negotiable. They're unregistered. No CUSIP. You purchase directly from the depository. Five year max. No restrictions as long as your collateral conditions are met. J.J., do you want to add to anything on the quick recap that we may have missed?

**JOHN JOHNSON:** Sure. I can comment on collateralized CDs. We from time to time in San Bernardino County have purchased collateralized CDs from mostly local banks, and our policy is very strict. The criteria states that we want 110 percent collateral, obviously, that we can price, that we are only accepting Treasury and agency collateral versus what is the full list of collateral that is eligible by code. All of that is outlined in 53651, so be sure that you, you know, look at that if you're entering into a collateralized deposit agreement with a bank. We want to be able to price those securities and make sure that the collateral pricing is being maintained. Again, our policy says on a daily basis, and so our preference is that we open up an account at our custodian and have the collateral which is perfected only in the name of San Bernardino County held in an account at our custodian to back our CDs.

Actually, the CDs have to be very competitive. So I'm not going to enter into an agreement and take a 10 basis point haircut to Rabobank. I can buy Rabobank directly. They're going to have to be very competitive in their yield in order for us to enter into an agreement.

But at any rate, we have seen more interest in local banks to do a collateralized DDA or CD type of an account versus, for example, CDARS just because of market conditions, but again, that may change. And about a year or two ago, some of the levels that were being paid on collateralized bank accounts were very, very attractive. Again, it is your policy that determines how collateral is managed. Just something to note, The Department of Business Oversight in the State of California, the local agency program within that department basically manages all the collateral requirements for all the banks in California. The gentleman who runs the program, Pat Carroll, very, very sharp individual. Very, very helpful. He's on our side, he's available for a phone call, but there is only three of them. The more responsibility that you take in ensuring that your assets are properly collateralized if you're entering into these agreements, the better.

**LINDA LOUIE:** We do have a question on your recap. Looking at placement services and deposits, both of you mentioned federally insured cash accounts, the FICAs. Under what California Government Code section do those fall under as permissible investments, and if so, what would be the pros and cons of using FICAs?

**DEBORAH HIGGINS:** J.J., do you want to take that one?

**JOHN JOHNSON:** Sure. Those code sections are 53601.8 and 53635.8 and again AB 279, which became effective in 2014. That bill – the sole purpose of that bill was to clarify that the FICA type accounts that use DDA and NOW accounts as deposit dates are eligible for purchase under the code. The advantage? Well, frankly, the County of San Bernardino has a \$50 million deposit with StoneCastle. It's FDIC-insured. We're getting a blended 19 basis points currently, which is more attractive than repo and more attractive than overnight CP. We have access to the money. It is not daily available, but it is available for withdrawal twice per week. You can add to it any day. It allows us to build liquidity quickly. If there would be an earthquake or some natural disaster, we have an El Niño coming up, for example, we always want to make sure we have liquidity that is available. We feel it is attractive primarily because it's FDIC-insured. Now we are a rated pool. We're rated by Fitch Ratings. We manage to a AAA/V1 standard. They have determined that these types of products map to a AAA rating for credit risk. In other words, the risk is to the U.S. government if they follow the rules, so in other words, if you make sure that you don't have multiple programs that create uninsured deposits. However, they do categorize this in the illiquid bucket because CDARS and the FICA accounts aren't intraday tradeable; however, we think that it makes a lot of sense for a small portion of our portfolio.

**DEBORAH HIGGINS:** Linda, this is where I was commenting about our listeners to take a look at their investment policies and make sure that the wording is mirroring the code because if they only have certificate of deposit written in there and didn't make any changes from Assembly Bill 279, then something like a FICA may not apply because they're talking specifically certificates of deposit and not deposits, and that's the whole point of changing that wording to allow you to do more than just a certificate of deposit.

**LINDA LOUIE:** That's a good differentiation. Thank you. All right.

## Slide 37 – Sources

(1:12:45)

**DEBORAH HIGGINS:** Here we have the sources that we used. Of course, CDIAC. FDIC, you can go on and take a look at what's available there. Specifically, if you have different political subdivisions and you'd like to know whether you can extend your FDIC coverage, there are three specific needs that you need to meet and run that by your legal, and that may be an option for you. Of course, the SEC, Securities and Exchange Commission, sec.gov of what we had.

## Slide 38 – Questions

(1:13:20)

**LINDA LOUIE:** Thank you, Debbie.

**DEBORAH HIGGINS:** You're welcome.

**LINDA LOUIE:** We have some time for any last-minute questions to help participants try to demystify any code or understanding of the differences between all of these money market deposits. We'll just take a second here. CDIAC had written an issue brief on CDARS. Of course, it was published prior to the legislation changes, but it is a good read for you to refer to and that's posted on our website as well. Okay. So hearing no questions, further questions, I think our panelists have covered extensively CDs and placement services and collateralized deposits.

## Slide 39 – Public Investment Webinar Series

(1:14:18)

**LINDA LOUIE:** So with that, we want to thank our speakers and also remind you that we have last on our schedule one more broadcast this September, which is next week on the 16th where we will focus on mutual funds and money market mutual funds and investment pools as part of the public investment portfolio. A lot of reform changes with the money market funds, so it will be interesting to hear just the kind of the primer definition of what is happening in the marketplace. The agenda is posted on CDIAC's website, and you can register currently.

## Slide 40 – Thank You for Your Participation

(1:15:09)

**LINDA LOUIE:** So in closing, we really again would like to thank our speakers, Deborah Higgins from Higgins Capital Management and John Johnson. All right. We do have a question for John, in fact, that just came in. The audience would like to know how many staff San Bernardino has managing their investments? We have some big investments here. So how many staff?

**JOHN JOHNSON:** Currently six.

**LINDA LOUIE:** Okay. Each person has a distinct function. All right. So with that, again, we really want to thank you, John and Deborah, for taking a lot of time to explore this area with us a couple of times. We've done this prior to the code and now post-code changes, and really for your expertise and commitment to making this webinar informational and educational for our audience. Again, this is posted to our website post-recording with transcript, so if you want to go back and review, it is there for you. In addition, CDIAC will be offering a summary seminar in January 2016 that will most likely be done

with the CMTA [*California Municipal Treasurers Association*] organization as well. The objective of that two-day class is to identify some of the areas of these nine module webinars to advance some of the analysis and portfolio limitations and discussions to help you further understand how these particular investment instruments can be beneficial to your investment portfolio for diversification. I'd also like to thank Susan Mills and Sandra Kent from our education unit for the production of this webinar. This has been a fun process to work with all of you. So we look forward to next week's broadcast, and as a reminder, follow us on Twitter. Thank you.

**DEBORAH HIGGINS:** Thanks, everyone.