



MULTI-BANK SECURITIES, INC.®

THE FINANCIAL NAVIGATOR FOR THE INSTITUTIONAL CLIENT

INVESTING PUBLIC FUNDS

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF CONNECTICUT

Ken Bailey
Vice President
Multi-Bank Securities, Inc.

FINRA, SIPC, MSRB

Why Invest

- To earn a better rate of return on your money

Invest \$5,000,000 for ten years:

- At 2% you earn \$1,000,000 in interest
 - At 4% you earn \$2,000,000 in interest
 - Difference equals \$1,000,000
- Paying attention to what you are earning today, could mean more money in the future

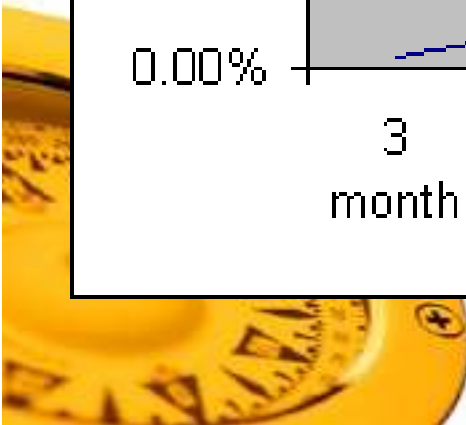
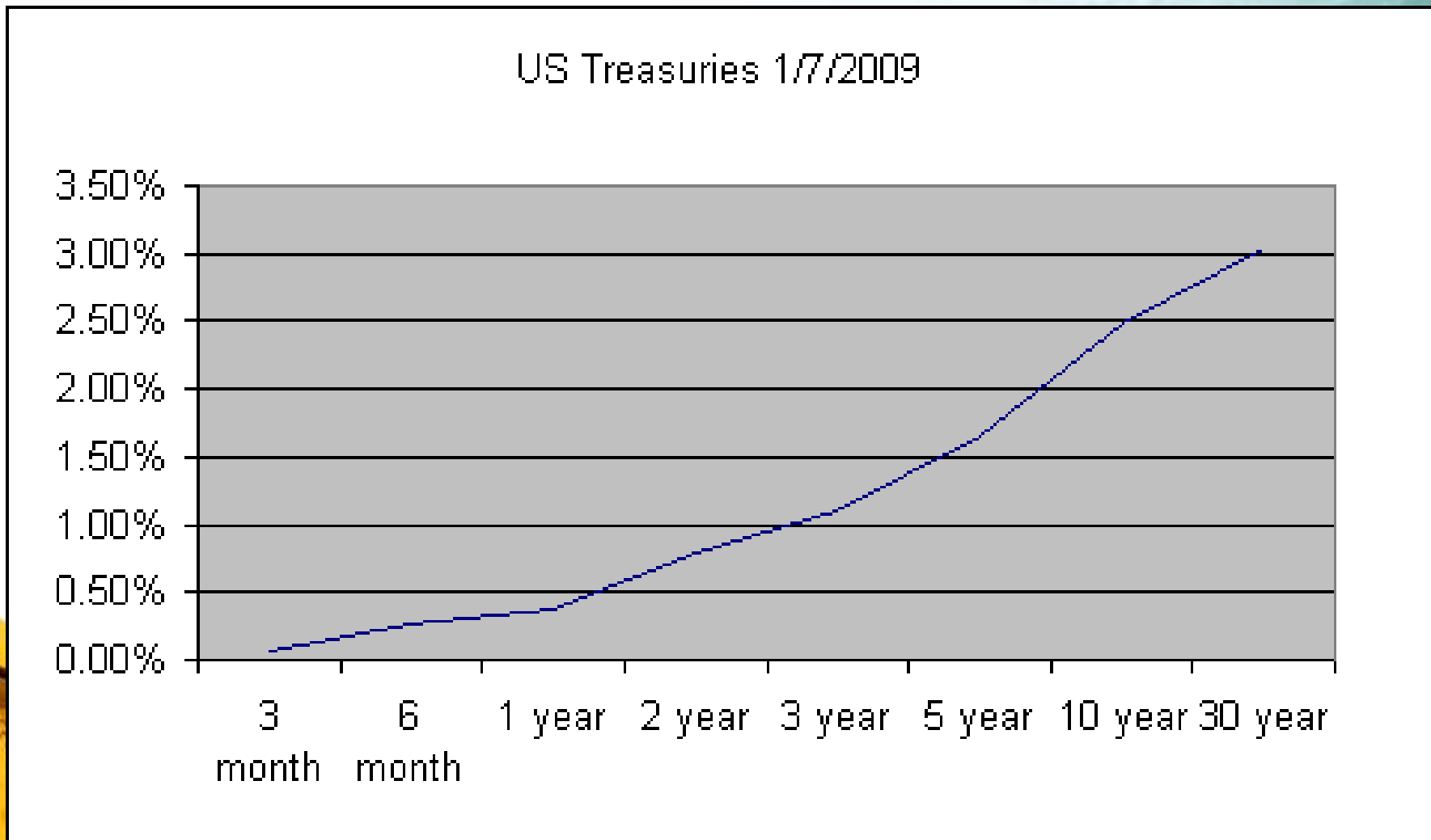


Why buy anything other than a money market?

- Because in normal times, the longer the term of investment, the greater the yield.



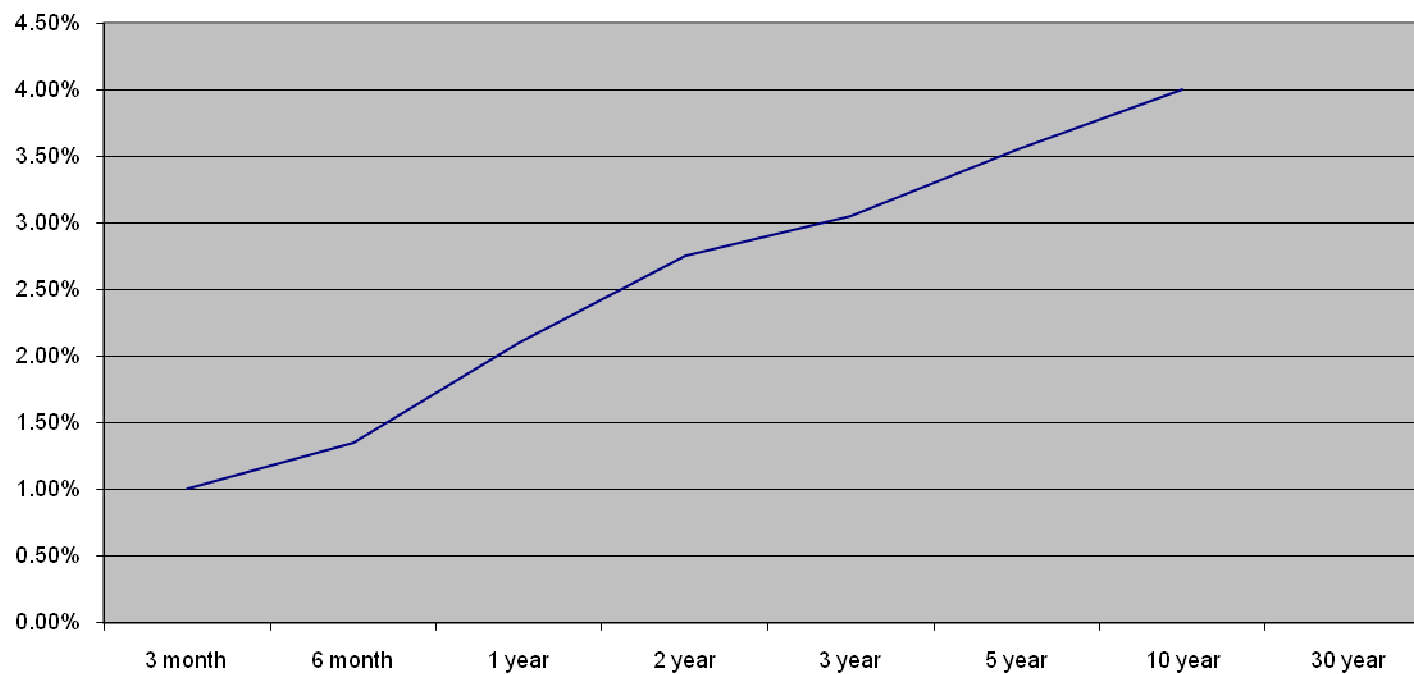
Treasury Yield Curve as of 1/7/09



CD Yield Curve as of 1/7/09



CDs 1/7/2009



What Can You Invest In?

- General Statutes of Connecticut



Sec. 7-400. Investment of funds.



- Sec. 7-400. Investment of funds. The treasurer of any municipality, as defined in section 7-359, upon approval by the budget-making authority, as defined in said section, of any metropolitan district, of any regional school district, of any district as defined in section 7-324, and of any other municipal corporation or authority authorized to issue bonds, notes or other obligations under the provisions of the general statutes or any special act may invest the proceeds received from the sale of bonds, notes or other obligations, or other funds, including the general fund, as hereinafter provided:
- (1) In (A) the obligations of the United States of America, including the joint and several obligations of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all the federal land banks, all the federal intermediate credit banks, the Central Bank for Cooperatives, The Tennessee Valley Authority, or any other agency of the United States government, or (B) shares or other interests in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust registered or exempt under the Investment Company Act of 1940, 15 USC Section 80a-1 et seq. as from time to time amended, provided (i) the portfolio of such custodial arrangement, pool, investment company or investment trust is limited to obligations described in subparagraph (A) of this subdivision and repurchase agreements fully collateralized by any such obligations; (ii) such custodial arrangement, pool, investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; (or investment trust is rated within one of the top two credit rating categories and, for any investment company or investment iii) such custodial arrangement or pool is managed to maintain its shares at a constant net asset value or such investment company trust not managed to maintain its shares at a constant net asset value, within one of the top two risk rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; and (iv) the municipal corporation or authority only purchases and redeems shares or other interests in such investment company or investment trust through the use of, or the custodian of such custodial arrangement or pool is, a bank, as defined in section 36a-2, or an out-of-state bank, as defined in said section, having one or more branches in this state.



Sec 7-400 cont.

- (2) In the obligations of any state of the United States or of any political subdivision, authority or agency thereof, provided that all the time of investment such obligations are rated within one of the top two rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioners.
- (3) In the obligations of the state of Connecticut, or any regional school district. Town, city, borough or metropolitan district in the state of Connecticut, provided that at the time of investment the obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.



Summary of Sec. 7-400

- (1) (A) Treasuries and Agencies
(1) (B) Funds that invest in Treasuries and Agencies
- Municipal bonds from anywhere in the country rated AA+ or AAA
- Municipal bonds from CT rated AA, AA+, or AAA



Sec 7-402

- **Sec. 7-402. Deposit of public money and trust funds.** (a) Any public official of any municipality may deposit any public funds received, held or controlled by such public official and belonging to such municipality, or otherwise held by such public official as such public official or as a custodian or trustee on behalf of such municipality, (1) in any qualified public depository, or (2) in an amount not exceeding the Federal Deposit Insurance Corporation insurance limit, in any out-of-state bank which is not a qualified public depository, designated by such public official; provided such deposit shall only be made in such public official's name as such public official, custodian or trustee or in the name of the municipality to which the money belongs. The interest or other pecuniary consideration such depository allows for or upon such deposit of public funds shall belong to and accrue to the benefit of such municipality. In no case shall the deposit by such public official in any one such depository exceed in the aggregate at any one time seventy-five per cent of the total capital of such depository, as determined in accordance with applicable federal regulations and regulations adopted by the Banking Commissioner under section 36a-332. Any qualified public depository receiving deposits of public funds pursuant to this section is required to disclose such information relating to public deposits as the Banking Commissioner may require by regulations which the commissioner shall adopt in accordance with the provisions of chapter 54. The regulations shall include, but not be limited to, disclosure of the most current quarterly statement of condition and statement of income. Nothing in this section shall affect additional restrictions on the deposit of public funds imposed by the provisions of the charter of any municipal corporation.
- (b) Any person, other than a public official, who receives, has control of, or is the custodian or trustee of, public funds promptly following the receipt or other acceptance of such public funds shall request the authority specified in this subsection to designate one or more depositories permitted under subsection (a) of this section as a depository for the whole or any part of such funds. The authority shall be (1) the board of selectmen, if the funds belong to a town that does not have a charter, special act or home rule ordinance relating to its government, (2) the first selectman, mayor or other chief executive officer described in a charter, special act or home rule ordinance relating to the government of a city, consolidated town and city, consolidated town and borough or a town having a charter, special act or home rule ordinance relating to its government, if the funds belong to such an entity,



Sec 7-402 cont.

- (3) the regional board of education, if the funds belong to a regional school district, (4) the warden, if the funds belong to a borough or (5) the chairman of the executive committee or other chief executive officer, if the funds belong to a district, metropolitan district or other municipal corporation. Such authority, upon the receipt of such request, may, in writing, designate one or more depositories and may, within the limitations of this section, specify the public fund or funds and the maximum amount thereof which may be deposited in each of such depositories. The instrument designating such depository or depositories shall be filed in the office of the town clerk in the case of a town and with the clerk of any other municipality. Such authority may, at any time, in writing, revoke such designation and may designate one or more other depositories. Prior to the designation by such authority of a depository, the person making such request may, within the limitations of this section, deposit public funds in any depository permitted under subsection (a) of this section. All deposits of public funds shall be in the name of the municipality or in the official name of the fund, person or trustee. The interest or pecuniary consideration such depository allows for or upon such deposit of public funds shall belong to and accrue to the benefit of the municipality or to the corpus of the fund held in trust.
- (c) If the laws of this state have, in all other respects, been complied with, any person acting on behalf of, or as custodian or trustee for, any municipality, who deposits public funds in any depository shall, because of failure, insolvency, receivership, forced closing or restricted operation of such depository, or a bank and credit union holiday or banking emergency proclaimed under the provisions of the laws of the United States or of this state, be relieved of personal responsibility for public funds so deposited and the surety or sureties upon the bond of such person shall be likewise relieved to the same extent as such person. The provisions of this section shall not be construed to relieve any such person or such person's surety or sureties from the obligation to account for the whole or such part of public funds so deposited as and when the same may be obtained by such person from such depository.



Summary of Sec. 7-402

- (a) (1) in any “qualified” depository institution
- (a) (2) in an amount not exceeding the Federal Deposit Insurance Corporation insurance limit, in any out-of-state bank



FDIC: Deposit Insurance Coverage Frequently Asked Questions - Windows Internet Explorer

http://www.fdic.gov/deposit/deposits/deposit/faqs/index.html

File Edit View Favorites Tools Help

Home > Deposit Insurance > Are My Deposits Insured? > Deposit Insurance Coverage Frequently Asked Questions

Deposit Insurance Coverage Frequently Asked Questions

- [Common Questions and Answers](#)
- [Single Accounts](#)
- [Self-Directed Retirement Accounts](#)
- [Joint Accounts](#)
- [Revocable Trust Accounts](#)
- [Irrevocable Trust Accounts](#)
- [Employee Benefit Plan Accounts](#)
- [Corporation, Partnership, and Unincorporated Association Accounts](#)
- [Government Accounts](#)

Common Questions and Answers

- 1. What is the FDIC?**

The FDIC - short for the Federal Deposit Insurance Corporation - is an independent agency of the United States government. The FDIC was created by Congress in 1933 to make the savings of millions of Americans secure. The FDIC protects depositors against the loss of their insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government.
- 2. What is the Purpose of FDIC Deposit Insurance?**

The FDIC protects depositors' funds in the unlikely event of the financial failure of their bank or savings institution. FDIC deposit insurance covers the balance of each depositor's account, dollar-for-dollar, up to the insurance limit, including principal and any accrued interest through the date of the insured bank's closing.
- 3. What is the FDIC insurance amount?**

The basic insurance amount is \$100,000 per depositor, per insured bank. This includes principal and accrued interest up to a total of \$100,000. For example: Jane Smith has a CD in her name alone with an original balance of \$98,000. Jane has interest earned of \$ 3,000. Jane's account now totals \$101,000. But, Jane is only insured up to \$100,000 and \$1,000 is uninsured.

Physical CDs

Definition: Deposits (Time or CDs) safekept at a depository held in the name of the investing entity

Advantage

1. Largest Number of Issuers
2. Flexible Maturities
3. Flexible Settlements
4. Competitive Yields
5. FDIC Insured
6. Early Withdrawal Option
7. Business of Scales

Disadvantages

1. Early Withdrawal Penalties
2. Auto Rolls
3. Method of Interest Disbursement
4. May or May not have Placement Fees

Availability/Transaction Process: Readily available; Bank specific transaction requirements; Broker/Dealer or Direct; Reverse Inquiry



Collateralized CDs

Definition: Deposits (Time or CDs) safekept at a depository held in the name of the investing entity. Deposits are backed by eligible assets as collateral.

Advantages

1. Competitive Yields
2. Ease of Transaction
3. Single Settlement Location
4. Business of Scales
5. Flexible Terms and Settlement Date
6. Qualified for most Public Units

Disadvantages

1. NOT FDIC insured
2. Limited Issuers
3. Early Withdraw Penalties
4. No Secondary Market
5. Cost of Collateral

Availability/Transaction Process: Limited Inventory; Typically a 3rd party custodial agreement needs to be executed; Broker/Dealer or Direct



Negotiable CDs

Definition: Time deposits that are safekept (book entry) at the DTC and trade in primary and secondary market

Advantages

1. Flexible Terms
2. Competitive Rates
3. Secondary Market (CUSIP)
4. Held in Securities Account
5. Growing Market
6. FDIC Insured (Pass-Through)
7. Method of Interest Disbursement
8. No Placement Fees

Disadvantages

1. Insurance Limits
2. Limited Issuers
3. No Early Withdrawal Provision
4. Cannot be Collateralized
5. Secondary Market Interest Rate Risk

Availability/Transaction Process: Must be purchased from an FINRA broker dealer; B/D new account documentation; Ease of transaction; Central holding location; Reserve inquiry availability



Depository Trust Company – (DTC)

- Depository Trust Company-(DTC) is a member of the U.S. Federal Reserve System, a limited-purpose trust company under New York State banking law and a registered clearing agency with the Securities and Exchange Commission. The depository brings efficiency to the securities industry by retaining custody of some 2 million securities issues, effectively “dematerializing” most of them so that they exist only as electronic files rather than as countless pieces of paper. The depository also provides the services necessary for the maintenance of the securities it has in custody.



CDARS

Definition: Certificate of Deposit Account Registry Service is a deposit placement service that monitors and distributes single CD transactions to a number of issuing banks, as to keep the deposit FDIC insured

Advantages

1. FDIC Insured (“Pass- Through”)
2. UP to \$20MM in Transactions
3. Single Transaction
4. Complies with many State Public Funds Acts
5. Single Interest Disbursement
6. Competitive Yields
7. No Placement Fees

Disadvantages

1. Limited Number of Issuers (principal limits)
2. Limited Availability to Maturity and Settlement dates
3. Does not satisfy all Public Fund Requirements (by State)
4. Early Withdrawal Penalties

Availability/Transaction Process: Available through eligible depositories. Can be purchased through a local bank (pending availability) or through a national broker/dealer. Transactions are individually negotiated. Statements are originated and provided by the issuing depository.



Definitions

- **Time Deposit:** Interest-bearing deposit account with a specific rate and fixed maturity. After the maturity date the deposit will stop earning the defined interest rate.
- **Certificate of Deposit:** Interest-bearing deposit account with a specific rate and fixed maturity. After the maturity date there is a defined “grace period” to withdraw without penalty before the deposit will auto-roll into a new rate for the same term as originally negotiated.
- **“Pass-Through” Insurance:** Each participant in the account, rather than the total account balance, is individually insured. Banks must be eligible to accept brokered deposits in order to qualify for pass-through insurance
- **Well-Capitalized:** Total Risked Based Capital $\geq 10\%$; Tier 1 Risked Based Capital $\geq 6\%$; Tier 1 Leverage $\geq 5\%$
- **Custodian:** An agent such as a broker or a bank that stores a customer’s investments for safekeeping. The custodian does NOT have fiduciary responsibility.
- **Public Unit:** Includes a state, county, municipality, or “public subdivision” thereof.
- **Political Subdivision:** Includes drainage, irrigation, navigation, improvement, levee, sanitary, school or power districts, and bridge or port authorities and other special districts created by the statute or compacts between the state.



Deposit Insurance for Public Units¹

- The insurance coverage of a public unit account depends upon (1) the type of deposit; and (2) the location of the insured depository institution. All “time and savings deposits” owned by a public unit and held by the same official custodian in an insured depository institution within the state in which the public unit is located are added together and insured up to \$100,000. Separately, all “demand deposits” owned by a public unit and held by the same official custodian in an insured depository institution within the state in which the public fund is located are added together and insured up to \$100,000.
- A political subdivision (through its “official custodian”) is entitled to its own insurance coverage.
- An official custodian is an officer, employee or agent of a public unit having official custody of public funds and lawfully depositing funds in an insured institution.

¹<http://www.fdic.gov/deposit/deposits/FactSheet.html>



Treasury Securities

- Full faith & credit of the U.S. government
- Most liquid security type
 - T-Bills <1 year, Discount, actual/360 basis no coupon mature at Par
 - T-Notes 1-10 year
 - T-Bills 10-30 year, Notes and Bills pay semi-annual interest, actual/actual basis
- Purchase directly from Treasury or through a broker/dealer
 - Primary market
 - Secondary market
- Regular auction schedule



Agency/Instrumentality Securities

- Full faith and credit or implied backing of the U.S. government
- Benchmarks, reference notes and global auctions
- Customized structures
- Various call types
- Bought through broker/dealers
 - New issue
 - Secondary market



US Agencies

- GNMA – Government National Mortgage Association
 - Mortgage-Backed Securities
- Others include – SBA, FHA, HUD, GSA, FmHA
 - Less frequent debt offerings
- Full Faith & Credit of U.S. Government
 - AAA Credit Quality



Government Sponsored Enterprise (GSE's)

- FHLB, FNMA, FHLMC, FFCB, SLMA, TVA
- Often referred to as Agency Bonds or GSE's
- Sponsored but not guaranteed by Federal Government
- Rated AAA
- Government-sponsored enterprises are financing entities created by Congress to fund loans to certain groups of borrowers such as homeowners, farmers and students.



New Issue Monitor

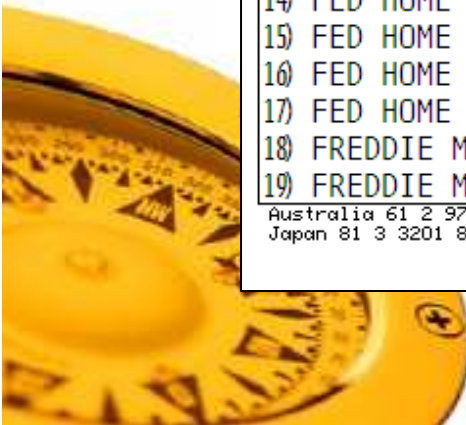


Corp **NIM**
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New Issues: Agencies

Issuer	Cpn (%)	Mty (M/D/Y)	Sprd (BP)	Outstand Amt (Mil)	Book Mgr (*=group)	Note
----- MONDAY, JANUARY 26 -----						
1) FANNIE MAE	STEP	02/13/14		USD 25	INCAP	5-NC3MO BERM
2) FED HOME LN BANK	2.35	01/30/12		USD 75	FTN	3-NC6MO INC
3) FED HOME LN BANK	5	02/13/24		USD 300	MK,VS,WACH	INCREASE
4) FREDDIE MAC	1½	08/04/10		USD 500	DB,ML	INCREASE
5) FREDDIE MAC	1¾	02/09/11		USD 100	UBS,WFC	2-NC1 1X
6) FED HOME LN BANK	3¼	02/18/14		USD 100	JOINT LEADS	5-NC3MO BERM
7) FANNIE MAE	ZERO	02/03/39		USD 805	CF,SUN	30-NC1 INC
8) FANNIE MAE	STEP	01/28/11		USD 50	MK,VS	2-NC1 INC
9) FANNIE MAE	STEP	02/05/14		USD 75	RBCCM	5-NC3MO INC
10) FED FARM CREDIT	.8	02/02/10		USD 145	BAS	1-NC
11) FED FARM CREDIT	4¾	02/06/17		USD 200	JOINT LEADS	8-NC3MO CONT
12) FED HOME LN BANK	1.85	02/18/11		USD 25	RBCCM	2-NC6MO CONT
13) FED FARM CREDIT	2.85	02/11/13		USD 255	JOINT LEADS	4-NC1 CONT
14) FED HOME LN BANK	4½	02/12/19		USD 100	JOINT LEADS	10-NC3MOCONT
15) FED HOME LN BANK	2.15	01/30/12		USD 20	FTN	3-NC
16) FED HOME LN BANK	3⅛	02/18/14		USD 100	JPM	5-NC1 CONT
17) FED HOME LN BANK	2.15	08/18/11		USD 100	JOINT LEADS	2.5-NC3MCONT
18) FREDDIE MAC	2¼	02/02/12		USD 1B	JOINT LEADS	3-NC1 1X
19) FREDDIE MAC	STEP	02/17/12		USD 25	INCAP	3-NC3MO BERM

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
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SECURITY DESCRIPTION

FED HOME LN BANK FHLB 2.35 12-09

ISSUER INFORMATION	IDENTIFIERS	
Name FEDERAL HOME LOAN BANK	CUSIP 3133XSY85	1) Additional Sec Info
Type Sovereign Agency	ISIN US3133XSY856	2) Call Schedule
Market of Issue US Domestic	BB Number EH7028051	3) ALLQ
SECURITY INFORMATION	RATINGS	4) Corporate Actions
Country US Currency USD	Moody's Aaae	5) Cds Spreads/RED Info
Collateral Type Bonds	S&P AAae	6) Ratings
Calc Typ(1)STREET CONVENTION	Composite NR	7) Custom Notes
Maturity 1/30/2012 Series	ISSUE SIZE	8) Identifiers
CALLABLE CALL 7/30/09@ 100.00	Amt Issued/Outstanding	9) Sec. Specific News
Coupon 2.35 Fixed	USD 75,000.00 (M)	10) Involved Parties
S/A 30/360 NON-EOM	USD 75,000.00 (M)	11) Pricing Sources
Announcement Dt 1/26/09	Min Piece/Increment	12) Related Securities
Int. Accrual Dt 1/30/09	10,000.00/ 5,000.00	13) Issuer Web Page
1st Settle Date 1/30/09	Par Amount 5,000.00	
1st Coupon Date 7/30/09	BOOK RUNNER/EXCHANGE	
Iss Pr 100	FTN	65) Old DES
NO PROSPECTUS DTC	NOT LISTED	66) Send as Attachment

BOOK-ENTRY.

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YTC

Corp YTC

YIELDS TO CALL

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FED HOME LN BANK FHLB 2.35 12-09

Settlement Date	1/30/2009	Price	100	CUSIP: 3133XSY8
Yield To Maturity	1/30/2012 @REDM	100	2.350	
Yield to Custom	7/30/2009 @REDM	100	2.350	blend N wght 0.0%
Yield to Next Call	7/30/2009 @REDM	100	2.350	GNV Duration
Yield To Refunding	7/30/2009 @REDM	100	2.350	& Risk Calc
Yield to Worst Call	7/30/2009 @REDM	100	2.350	B.A.Yield

Date	Price	Yield	Treas Curve	Treas Spread	Adjusted Duration	Risk Factor
7/30/09	100	2.350	0.318	2.032	0.494	0.494
10/30/09	100	2.352	0.388	1.964	0.738	0.738
1/30/10	100	2.350	0.463	1.887	0.983	0.983
4/30/10	100	2.351	0.560	1.791	1.224	1.224
7/31/10	100	2.350	0.660	1.690	1.465	1.465
10/31/10	100	2.351	0.760	1.591	1.704	1.704
1/31/11	100	2.350	0.855	1.495	1.943	1.943
4/30/11	100	2.351	0.941	1.410	2.178	2.178
7/31/11	100	2.350	1.029	1.321	2.414	2.414
10/31/11	100	2.351	1.117	1.234	2.647	2.647
1/30/12	100	2.350	1.199	1.151	2.880	2.880

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How does the investment process work?

- Open an account
- Fill out the new account paperwork
- Once the account is open most will provide you with:
 - 24/7 online access to your account
 - trade confirms
 - monthly statements



Summary

- The rate of return you earn on your idle funds can make a considerable difference in the long term
- The investing process is very simple, safe, and secure





MULTI-BANK SECURITIES, INC.®

THE FINANCIAL NAVIGATOR FOR THE INSTITUTIONAL CLIENT

THANK YOU

for additional information,
visit us at
www.mbssecurities.com
or call
800-967-9031

FINRA, SIPC, MSRB