RESOLUTION NO. RS-2026- 16

(A Resolution to Amend the Investment Policy for Washington County, Maryland)

RECITALS

WHEREAS, authorized by MD Code, Local Government, Section 17-205, the Local Government shall adopt by resolution a local investment policy; and

WHEREAS, the Board of County Commissioners of Washington County, Maryland, has previously adopted an Investment Policy to comply with all state and local laws concerning the investment of public funds while meeting its daily cash flow demands; and

WHEREAS, the Investment Policy requires an update to clarify the County's authority to invest County funds in the Maryland Local Government Investment Pool (MLGIP), as further authorized by Resolution adopted June 30, 2026.

NOW, THEREFORE, BE IT RESOLVED that the Board authorizes the amendment of the Investment Policy for Washington County, Maryland, as attached.

Adopted and effective this 30 day of June, 2026.

ATTEST:

Dawn L. Marcus

Dawn L. Marcus, County Clerk

BOARD OF COUNTY COMMISSIONERS
OF WASHINGTON COUNTY, MARYLAND

BY: John F. Barr

John F. Barr, President

Approved as to form
and legal sufficiency:

Zachary J. Kieffer

Zachary J. Kieffer
County Attorney

Mail to:
Office of the County Attorney
100 W. Washington Street, Suite 1101
Hagerstown, MD 21740

Washington County, Maryland
Financial Policies

Section: **General Investment Policy**

Purpose: To invest the County's cash in such a manner so as to insure the ~~absolute~~maximum safety of principal and interest, to meet the liquidity needs of the County, and to achieve the highest possible yield.

I. Policy

POLICY

It is the policy of Washington County, Maryland (hereinafter referred to as "the County") to invest public funds in a manner which will conform to all State of Maryland and County Statutes governing the investment of public funds while meeting its daily cash flow demands and providing the highest investment return with maximum safety of principal.~~a return at least equal to the three month Treasury bill yield.~~ The County may not borrow funds for the express purpose of reinvesting those funds.

II. Scope

This investment policy applies to all financial assets of the County unless specified otherwise. These funds are accounted for in the County's ~~Comprehensive Annual Financial Report~~Financial Statements and include:

A. General Fund

B. Special Revenue Funds

C. Capital Project Funds (Including Bond Funds)

D. Enterprise Funds

E. Internal Service Funds

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F. Trust and Agency Funds

G. Any new funds as provided by county ordinance.

This policy does not cover the financial assets of the Washington County retirement ~~P~~plan, length of service award program ~~P~~plan (LOSAP) and ~~and o~~Other Post Employment Benefit ~~P~~plan (OPEB). These assets are separately managed by a third party and are governed by a separate County investment policy. ~~ies that govern those assets.~~

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III. Prudence

The standard of prudence to be applied by the Budget and Finance Department shall be the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The prudent person rule shall be applied in the context of managing the overall portfolio.

The Budget and Finance Department acting in accordance with written procedures and the investment policy and exercising due diligence shall not be held personally responsible for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

~~Further, it shall be the policy of the County that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Maryland, including the Code of Maryland and guidelines established by the State Treasurer and the Governmental Accounting Standards Board (GASB).~~

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IV. Objective

The primary objectives, in priority order, of the County's Investment activities shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity: The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements, which might be reasonably anticipated.

Return on investment: The County's investment portfolio shall be designed with the objective of attaining no less than a market rate of return over the course of budgetary and economic cycles taking into account the constraints contained herein and the cash flow patterns of the County.

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V. Delegation of Authority

~~Authority to manage the County's investment program is derived from state law (Article 95 and Title 6 of the Finance and Procurement Article of the Annotated Code of Maryland).~~
Pursuant to Maryland Code, Local Government § 17-101, Maryland counties are authorized to invest and reinvest surplus funds, subject to the limitations set forth in Maryland Code, Local Government § 17-102 and applicable deposit security requirements under Maryland Code, State Finance and Procurement § 6-222. The Board of County Commissioners recognize their authority to manage the county investment program and, by this policy, have delegated such authority to the Director of Budget and Finance.

The Budget and Finance Department shall develop, implement, and maintain comprehensive written administrative procedures for the operation of the County's investment program, consistent with this investment policy, and applicable state law.~~.~~ Such procedures shall include ~~:~~

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~~E~~explicit delegation of authority to persons responsible for investment transactions. Additionally, the administrative procedures shall address cash flow and liquidity requirements; safekeeping and custody of securities; execution and management of SIFMA Master Repurchase Agreement; wire transfer agreements and controls; collateralization and depository agreements consistent with Maryland Code, State Finance and Procurement § 6-222; banking service agreements; and such other operational and control matters as necessary to ensure the prudent management of public funds.

No person may engage in an investment transaction except in accordance with this investment ~~as provided under the terms of this~~ policy and the administrative procedures established by the Budget and Finance Department. The Director of Budget and Finance shall be responsible for all transactions taken and shall establish a system of controls to regulate the activities of subordinate officials.

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~~Procedures should include reference to safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service agreements.~~

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~~The Budget and Finance Department shall be responsible for all transactions under-taken and shall establish a system of controls to regulate the activities of subordinate officials (investment officers).~~

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VI. Ethics and Conflicts of Interest

Officials and employees 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 investment decisions. Employees and investment officials shall disclose to the Budget and Finance Department any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the County's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the County, particularly with regard to the time of purchases and sales.

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VII. Authorized Financial Dealers and Institutions

The Budget and Finance Department shall maintain a list of approved security broker/dealers selected by creditworthiness who are authorized to provide investment services in the State. The following institution classifications are permittable for County investments:

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A. Security Dealers

1. Primary Government Dealers:
A primary government securities dealer is a bank or broker-dealer designated by the Federal Reserve Bank of New York to transact directly with the Federal Reserve in the purchase and sale of U.S. Treasury securities, participate in Treasury auctions, and act as a principal counterparty in open market operations.

2. Other Security Dealers:
A non-primary government securities dealer is a registered broker-dealer or financial institution authorized to buy and sell U.S. government securities in the secondary market but that does not hold primary dealer status with the Federal Reserve Bank of New York and does not participate directly as a primary counterparty in Federal Reserve open market operations or U.S. Treasury auctions.

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Reporting and compliance: ~~These may include~~Both "primary" and non-primary~~dealers or regional~~ dealers that qualify under Securities & Exchange Commission Rule 15C3-1 may be permittable investment institutions. No deposit shall be made except in an institution which is a qualified public depository as established by the State of Maryland. All financial institutions and broker/dealers who desire to become qualified brokers for investment transactions must supply the Budget and Finance Department with the following:

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1. A~~a~~udited financial statements~~,~~
2. -Proof of Financial Industry Regulatory Authority (FINRA) certification ~~proof of National Association of Security Dealers certification,~~

3. ~~-T~~trading resolution~~,~~
4. ~~p~~Proof of registration with the State of Maryland, and
5. All dealers must agree to the County's policy of delivery versus payment as described in section X of this policy.
6. Ccertification of having read the County's Investment Policy and depository contracts.

All non-primary securities dealers must provide evidence of their capital position by annually submitting their SEC Financial and Operating Combined Uniform Single (FOCUS) Report as well as their most recently completed annual audited financial statements, before trading can commence, and annually thereafter. Verification of brokers and firms will be conducted online via BrokerCheck, a FINRA online tool used to vet brokers and firms, check for red flags, complaints, sanctions, and verify credentials.

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~~An annual review of the financial condition and registrations of qualified bidders will be conducted by the Budget and Finance Department. A current audited financial statement is required to be on file for each financial institution or broker/dealer through which the County invests.~~

~~1. The firm must provide copies of its audited financial statements, which are reviewed carefully to assure that the firm is on sound financial footing. The firm must also have adequate capital to fulfill its commitments under adverse market conditions.~~

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~~2. The firm must be registered in the State of Maryland with a record for responsible business practices and professional integrity. The dealer must also provide adequate research facilities and market related information.~~

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~~3. The County will deal only through knowledgeable and experienced salesperson. To meet this criterion, the firm will send resume information on the salesman with whom the County will be dealing. The firm will also send a list of other Governments that buy and sell securities through their firm in order for the County to obtain references.~~

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B.

~~A.~~ **Commercial Banks:**

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The County can only ~~invest in banks~~ purchase Certificates of Deposit from any federally insured bank or any federally insured savings and loan association ~~located~~ in the State of Maryland ~~(Certificates of Deposit) with the exception of Bankers Acceptances, which are discussed in Section VIII of this policy~~. Commercial Banks must have a short-term rating of at least investment grade ~~-~~from any Nationally Recognized Statistical Rating Organization (NRSRO). ~~from the appropriate bank rating agencies.~~ All banks shall provide their most recent Consolidated Report of Condition ("call" report) at the request of the County. The County shall conduct an annual evaluation of each bank's credit worthiness to determine whether it should be on the "Qualified Institution" listing.

~~B. **Money Market Treasury Funds:**~~

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~~The fund must be comprised only of obligations issued or guaranteed as to principal and interest by the U.S. Government and to repurchase agreements fully collateralized by U.S. Government obligations. The management company of the fund must take delivery of the collateral either directly or through an authorized custodian. The County is also authorized to invest in the Maryland Local Government Investment Pool, which functions as a U.S. Treasury Money Market Fund.~~

~~C.~~ VIII. Authorized Investments ~~(See VIII)~~

The County is authorized to invest in specific types of securities by the State Finance and Procurement Article Section 6-222. The Budget and Finance department may invest in the following instruments:

1. U.S. Government Securities – Include obligations for which the United States has pledged its full faith and credit for the payment of principal and interest.

2. U.S. Agency Securities – Obligations that a federal agency or a federal instrumentality issue in accordance with an Act of Congress.

3. Repurchase Agreements – Entered into with financial institutions that sign master purchase agreements and that maintain collateralization of at least 102% of the principal amount and comply with other safekeeping and collateral requirements.

4. Certificates of Deposit – including deposits to the Certificate of Deposit Account Registry Service (CDARS or IntraFi service) – Banks and savings and loan associations must maintain collateralization that equals or exceeds the amount of the deposit not federally insured and must maintain a local branch within the state of Maryland.

5. Bankers', Acceptances – Issued by a bank with a short-term debt rating in the highest letter and numerical rating (e.g. A-1 Standard & Poors, or P-1 Moody's) by at least one nationally recognized statistical rating organization as designated by either the SEC or state treasurer. Bank must be chartered in the U.S. or a U.S. Subsidiary of a large international bank.

6. Money Market Mutual Funds – May contain only securities referenced above in numbers one through three of this section, be registered with the SEC, operate in accordance with U.S. Investment Company Act of 1940 (Rule 2a-7), and have received the highest possible rating from at least one nationally recognized statistical rating organization as designated by the SEC.

7. Commercial Paper – that has received the highest letter and numerical rating by at least one nationally recognized statistical rating organization as designated by the United States Securities and Exchange Commission, provided that such commercial paper does not exceed 5% of the total investments made by the County.

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8. Pooled Investments – Any investment portfolio created under the Maryland Local Government Investment Pool, defined under the Local Government Article, sections 17-301 through 17-309 of the Annotated code of Maryland, that is administered by the State Treasurer.

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IX. Diversification in Authorized & Suitable Investments

The County will diversify to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities. Maryland State law pertaining to authorized instruments is attached.

	Maximum Percent of Portfolio
A. Diversification by Instrument	
1. -U.S. Treasury Obligations	100%
2. -U.S. Government Agency and U.S. Government -Sponsored ~~instrumentality's~~instrumentalities	100% ~~100%~~
3. -Repurchase Agreements ~~(Master Repurchase Agreement required)~~	75~~100~~%
~~4. Collateralized~~ Certificates of Deposit which are collateralized or federally insured	35%
4. ~~(Only Maryland Commercial Banks)~~	~~40%~~
5. -Bankers' Acceptances	20%
~~BA's from domestic banks, which also include the United States Affiliates of large international banks. Short term rating of A1 from Standard and Poor's Corporation and P1 from Moody's Investor Service.~~	~~40%~~

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6. -Money Market Mutual Funds 50%

~~Highest rating by at least one recognized rating agency. 60%~~

7. Commercial Paper 5%

8. Maryland Local Government Investment Pool 100%

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B. Diversification by Institution

1. U.S. Treasury Obligations 100%

2. U.S. Agencies 100%

3~~1~~. ~~Government Dealers (r~~Repurchase ~~a~~Agreements~~)~~ 50%

4~~2~~. Commercial banks (Certificates of Deposit) ~~3~~20%

5~~3~~. Money Market ~~Treasury~~Mutual funds ~~40~~30%

6~~4~~. Banker's Acceptances ~~by institution~~ 50~~25~~%

7. Commercial Paper 100%

8. Maryland Local Government Investment Pool 100%

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C. Diversification of Maturities

It is recognized that, prior to maturity date, the market value of securities in the County's portfolio may fluctuate due to changes in market conditions. In view of this and the County's primary investment objectives of preservation of principal and liquidity, every effort shall be made to manage investment maturities so ~~that~~ they precede or coincide with the expected need for funds. ~~According, the requirements established by the Code of Maryland and State Treasury guidelines are further restricted as follows:~~

~~1.~~Funds shall be invested at all times in keeping with the daily and seasonal pattern of the County's cash balances, as well as any other special factors or needs, in order to assure the availability of funds on a timely and liquid basis. Cash flow projections will be monitored and updated on an ongoing basis by the Budget and Finance Department and communicated regularly to the County Administrator. On a periodic basis, the County will determine, based on cash flow projections, what the appropriate average weighted maturity of the portfolio should be.

At any given time 50% of the investments of the County shall mature within a maximum of 18 months. ~~2.~~Unless matched to a specific cash flow, the County will not invest in securities maturing more than~~t~~ three (3) years from the date of purchase.

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~~3.~~Reserve funds may be invested in securities exceeding three (3) years if the maturity of such instruments are made to precede or coincide with the expected need for funds and only with the prior approval of the Budget and Finance Department.

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X. Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered in to by the County shall be conducted on a delivery-versus-payment basis. (DVP) Securities will be held by a third~~-~~ party custodian designated by the Finance Office~~and evidenced by safekeeping receipts~~.

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~~**Prohibited Securities, Transactions and Activities**~~

~~A. Borrowing funds for the sole purpose of investing is strictly forbidden.~~
~~B. Transactions in options, futures, options on futures, margin buying and commodities are prohibited.~~
~~C. Any other security not specifically authorized in this document is expressly prohibited.~~
~~D. CMO's, inverse floating rate securities, floating rate securities tied to a non-money market instrument, IO's, PO's, Z-tranche securities, residuals, and other securities having unusual features are expressly prohibited.~~

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XI. Collateralization

Collateralization will be required on two types of investments: certificates of deposit (if not FDIC insured) and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be at least 102% of market value of~~and~~ principal and accrued interest.

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Acceptable collateral is specified under Section 6-202 of Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland.

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The right of collateral substitution is granted, and all associated costs will be paid by the seller. (Financial Institution).

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XII. Internal Controls

The Budget and Finance Department shall establish a system of internal controls, which shall be documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees ~~and investment officers~~ of the

County. An audit of the internal controls of the investment operation may be~~is~~ part of the annual financial audit conducted by an outside, ~~-~~independent audit company.

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~~The system of internal controls shall address the following points:~~

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~~A. Avoidance of collusion by employees~~
~~B. Separation of transaction authority from accounting and record keeping~~
~~CB. Avoidance of physical delivery of securities wherever possible~~
~~DC. Clear delegation of authority to subordinate staff members~~
~~DE. Written confirmation/communication of telephone transactions for investments and wire transfers~~
~~F. Development of a wire transfer agreement with lead bank or third party custodian.~~

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XIII. Performance Standards

The County's investment strategy in general is passive. However, the strategy is active under special extenuating circumstances. Given this strategy and taking into account the County's investment risk constraints and cash flow needs, ~~the three month~~ various short-term U.S. Treasury Bill yields, and the MLGIP have been ~~was~~ selected to gauge the County's investment portfolio performance.

XIV. Reporting Requirements

~~An investment officer~~ The Director of Budget and Finance shall provide ~~generate~~ quarterly reports to the Chief Financial Officer, to the County Administrator, and the County Commissioners. ~~for management purposes. In addition, the County Commissioners will be provided quarterly reports, which will include date of investment instruments being held, as well as any narrative necessary for clarification.~~ The quarterly report will be prepared in a manner, which will allow the County to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will include the following:

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A. A listing of individual securities and investments held at the end of the reporting period including maturity dates.

B. ~~B.~~ Unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one year duration that are not intended to be held until maturity (if applicable).

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C. ~~C.~~ Average weighted yield to maturity of portfolio on entity investments as ~~E.~~
compared to applicable benchmarks.

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F. ~~Listing of investments by maturity date~~

D. ~~E.~~ The percentage of the total portfolio which each type of investment represents compared to policy limitations.

E. Any narrative necessary for clarification or analysis of the data.

XV. Policy Review

The Chief Financial Officer and Director of Budget and Finance shall review this investment policy at least once, annually, to ensure that it remains current with legislative changes and reflects best practices in local government finance and the investment of public funds.

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GLOSSARY

Agencies: Federal agency securities.

Bankers' Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

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.

~~Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.~~

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Delivery Versus Payment (DVP): There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities which an exchange of money for the securities with an exchange of a signed receipt for the securities.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives and exporters.

Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Open Market Committee (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington D.C., 12 Regional Banks and about 5,700 commercial banks that are members of the system.

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Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up ~~A federal agency that insures bank deposits, currently up~~ to $250,000~~100,00~~ per

~~Corporation (FDIC):~~ deposit.

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Federal Home Loan Banks (FHLB): The institutions that regulates and lend to savings and ~~The institutions that regulates and lend to savings and~~ loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks Vis-à-Vis member commercial banks.

Federal National Mortgage Association (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages._ FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

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Financial Industry Regulatory Authority (FINRA): FINRA is a nonprofit organization authorized by Congress to protect investors by regulating brokerage firms and exchange markets in the U.S., enforcing rules of fair practice, and licensing registered representatives.

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Government National Mortgage Association (GNMA OR Ginnie Mae) Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term pass-through is often used to describe Ginnie Mae's.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker dealers, banks, and a few unregulated firms.

Qualified Public Depositories: A financial institution which does not claim exemption from the payment of any sales or compensating use of ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

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 or the current income return.

~~Qualified Public Depositories: A financial institution which does not claim exemption from the payment of any sales or compensating use of ad valorem taxes under the laws of this state, which has~~

~~segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.~~

Repurchase Agreement (Repo or Repos): A holder of securities sells these securities to an investor which 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 terms of the agreement are structured to compensate him for this. Dealers use Repos extensively to finance their positions. Exception: When the Fed is said to be doing Repo, it is lending money, that is, increasing bank reserves.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

SEC RULE 15C3-1: See uniform net capital rule.

Securities & Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bond: Long-term U.S. Treasury securities having initial maturities of more than ten years.

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Treasury Notes: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from ~~one~~ two to ten years.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as non-member broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

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Yield: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount for par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

~~Uniform Net Capital Rule:~~ ~~Securities and Exchange Commission requirement that member firms as non-member broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates.~~

~~Liquid capital includes cash and assets easily converted into cash.~~

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Attachment A

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Yield and Liquidity Spectrum (General Guide Only)*

LOW YIELD / HIGH LIQUIDITY

1. U.S. Government Securities (Treasuries)
   - Highest safety/liquidity
   - Lower yield

2. U.S. Agency Securities
   - Slightly higher yield than Treasuries

3. Repurchase Agreements (Repos)
   - Short-term collateralized lending (often overnight)
   - Very low credit risk when properly collateralized

4. Maryland Local Government Investment Pool (MLGIP)
   - Pooled public funds investment (daily liquidity)
   - Market-driven short-term yield

5. Government Money Market Mutual Funds
   - Diversified Treasuries/agencies/repos (daily liquidity)
   - Stable, slightly higher yield potential

6. Certificates of Deposit (CDs)
   - Fixed-term bank deposits
   - Higher yield for longer maturities

7. Bankers' Acceptances – Infrequently utilized, but still permittable
   - Bank-backed trade credit instruments
   - Higher yield due to credit risk

8. Commercial Paper – (Investment Grade – A-1, P-1)
   - Unsecured corporate short-term debt (typically 270 days or less)
   - Higher yield relative to government and agency instruments; subject to credit risk

• Typically held to maturity (very limited secondary market)

HIGH YIELD / LOWER LIQUIDITY

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* The relative Yield and Liquidity order presented herein may vary due to changes in market conditions, interest rate environments, trading volume, credit quality, and other factors. This is presented as a guide only and not an absolute standard.

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Revisions

Type of Revision	Extent of Revision	Approval Date
Creation of Policy	New	December 18, 2001
Updated	Minor	January 20, 2004
Updated	Major	June 30, 2026

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