

**REQUEST FOR INFORMATION (“RFI”)
FOR SELECTION OF BROKERS/DEALERS
FOR THE YEAR 2012**

**SUPPLEMENTAL REFERENCE
MATERIALS**



**OFFICE OF THE CITY TREASURER
CITY OF CHICAGO**

**STEPHANIE D. NEELY
TREASURER**

December 2011

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INVESTMENT FACT SHEET

I. City Treasury Investment Objectives:

Investments of City public funds are limited to those defined as eligible under their relevant ordinance. Specific allowable securities are listed in the City ordinance entitled Municipal Code, Chapter 2-32, "Investment of City Funds and Municipal Bonds."

All City investments shall be fully payable as to principal and interest within ten years of the date of purchase. (Exceptions to this rule exist related to certain bond or trust indenture expanded investment guidelines; however, these will be clearly noted when investment requirements are given to brokers/dealers.)

The State of Illinois' expanded list of permitted investments and statutory language are also attached hereto as a reference. Note however, that City ordinance governs investment policy and the spirit of the City ordinance shall prevail in investment decisions.

II. Collateralization:

Collateralization is required on two types of investments: certificates of deposit and repurchase agreements.

An independent third-party bank approved by the City Treasurer's Office will always hold collateral.

A safekeeping receipt must be provided to the City of Chicago for all non-trustee related transactions.

The designated third party custodial bank for all non-trustee related investments is Citibank.

The collateralization for non-trustee related accounts shall be 102% of market value of principal and accrued interest for Repurchase Agreements and 102% for Certificates of Deposit. Collateral is required as security for any amount in excess of the federal deposit insurance limit.

The City limits collateral to surety bonds issued by top-rated insurers, bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investment, and the following U.S. Treasuries and Agencies:

- U.S. T-Bonds
- U.S. T-Notes
- U.S. T-Bills
- U.S. Strips
- FNMA
- FFCB
- FHLM
- FHLB
- TVA

Mortgage-backed agency securities with monthly drawdowns are not acceptable as collateral.

III. Daily Schedule:

TRADING: The City Treasurer's Office will notify brokers/dealers by telephone or send a bid sheet via facsimile or e-mail either the day before or day of the trade. The bid sheet will provide the date, investment amount, maturity date and investment constraints. If a facsimile or e-mail transmission is not received, contact the City Treasurer's Office at 8:00 a.m.

8:00 a.m. – Brokers telephone or e-mail quotes to the City Treasurer's Office
8:30 a.m. – Investments are finalized with successful bidder
11:00 a.m. – Brokers are to confirm trade and collateral information by fax to the City Treasurer's Office
11:00 a.m. to 2:00 p.m. – Investment activity is verified, securities are delivered to the City's custodian any discrepancies are rectified.

IV. Confirmations:

Written confirmation should be provided via mail or e-mail within 2 business days after trade is executed.

Confirmation must include the following information:

- Name of Principal
- Customer
- Delivery/Payment Instructions
- Amount of Transaction
- Security Description
- CUSIP Number
- Collateral Description
- Trade date, Settlement date and Maturity date
- Cost of Transaction
- Days Held
- Interest Due
- Account Number and Transaction Reference Number

V. Contacts:

Office of the City Treasurer:

Thomas Latzke	Mark Myslinski	Michael Fehlman
Asst. City Treasurer	Portfolio Manager	Portfolio Manager
P: (312) 742-1852	P: (312) 744-1851	P: (312) 744-1855
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Custodian:

Citibank
Gale Roberts, Specialist
(813) 604-1517
Fax (813) 604-1645

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

(Last Amended: October 5, 2011)

The Municipal Code of Chicago (the “Municipal Code”) authorizes the City Treasurer to invest funds of the City of Chicago (the “City”) in certain authorized classes of securities. All persons involved in the investment of public funds in the Office of the City Treasurer (the “Office”) are to comply with the Municipal Code provisions relating to the deposit and investment of public funds. The purpose of this Statement of Investment Policy and Guidelines (this “Policy”) is to establish cash management and investment guidelines for the Office. This Policy has been prepared in accordance with the Public Funds Investment Act (30 ILCS 235/2.5).

1.0 POLICY

The Office is responsible for the management of daily receipt and investment of cash and related accounting operations. The City Treasurer is the Chief Investment Officer of the City and investments may be directed by the City Treasurer, her designee, or outside professional fund managers, in accordance with this Policy.

It is the policy of the City Treasurer to invest all funds under her control in a manner that provides the highest investment return using authorized instruments while meeting the City’s daily cash flow demands in conformance with the Municipal Code.

2.0 SCOPE OF POLICY:

This Policy applies to all investments held within the Office and made on behalf of the City Treasurer with the exception of certain bond funds for which the City may specifically authorize other allowable investments consistent with applicable bond ordinance, trust indenture, the Municipal Code or State law.

3.0 OBJECTIVES:

The primary objective in the investment of city funds under control of the City Treasurer is to ensure the safety of principal, while managing liquidity requirements of debt service and other financial obligations of the City, providing the highest investment return using authorized investment instruments, and promoting economic development in the City.

3.1 Safety.

The safety of principal is the foremost objective of the investment program. City investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification is required to ensure that the City Treasurer prudently manages market, interest rate and credit risk. Each investment purchase shall be limited to those defined as eligible under the Municipal Code.

3.2 Liquidity.

The investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Except as otherwise authorized by the Municipal Code or other applicable law, all investments shall be fully payable as to principal and interest within ten years from the date of purchase.

3.3 Return on Investments.

The investment portfolio shall be designed to obtain the highest available return, taking into account the City Treasurer’s investment risk constraints and cash flow needs. The City Treasurer shall seek to obtain the highest available return using authorized investments.

3.4 Economic Development and local considerations.

The City Treasurer seeks to promote economic development in the City through various programs that provide incentives for community reinvestment and financial assistance.

4.0 PRUDENCE:

To accomplish the objectives of the City Treasurer, all authorized persons engaged in the investment process will perform their duties responsibly in accordance with the following standard:

“Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the City and the Chicago Board of Education, Policemen’s Annuity and Benefit Fund, Firemen’s Annuity and Benefit Fund, Municipal Employee’s Annuity and Benefit Fund, and Laborer’s and Retirement Board Employee’s Annuity and Benefit Fund (“Depositors”), that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City and the Depositors.”

The standard of prudence to be used by the Office’s investment officers shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers shall: (i) act in accordance with written procedures and this Policy, (ii) exercise due diligence, (iii) prepare all reports in a timely fashion and (iv) exercise appropriate action to control adverse developments.

5.0 OPERATIONAL GUIDELINES:

5.1 Particular Fund Investments:

The Municipal Code requires that any investments of a particular segregate fund be credited to that fund. Principal and interest shall be credited to the particular segregate fund so invested. City Treasurer and City Comptroller jointly may transfer ownership of any security purchased with monies of a particular segregate fund to the aggregate fund in the City Treasury. The particular segregate fund originally invested shall be credited with the amount of the principal and accrued interest up to the date of the transfer of ownership of such security from the particular segregate fund to the aggregate fund.

5.2 Government Fund Accounting:

The City financial record-keeping system is operated and maintained on a fund accounting basis. A Fund is an independent fiscal accounting entity with a separate set of accounting records to record cash and investment activities. Funds are either segregate or aggregate, as determined by law, special regulation or contractual agreement. The City Comptroller determines the classification of Funds in either segregate or aggregate category and City Treasurer’s records are prepared accordingly.

Funds classified as “segregate” by the City Comptroller or the City Treasurer require that separate accounts be established related to all financial resources, investment and payment requirements. Generally, these segregate funds represent financial resources employed for specified governmental projects and are for restricted use. The Office is

required and does maintain a cash and investment record of the segregated accounts and has monies available to pay obligations under segregate funds when due. Generally, debt service payments and investments are made through the trust accounts provided for these funds and coordinated by the Office.

All other receipts and cash not allocated by law or contractual agreement and used to pay the City's general operating expenses are pooled for investment and classified as aggregate funds. The City Treasurer disburses these operating funds on a daily basis to cover warrants issued by the City Comptroller.

The Corporate (General) fund is the aggregate major operating fund of the City. All general tax revenues and ordinary receipts are aggregated into this fund. Disbursements are based on spending plans of the City departments and include items such as employee payroll and health benefit costs and operating expenditures.

5.3 Competitive Bidding:

At least three (3) competitive bids are solicited on most investment transactions made by the Office. Bids/quotes and markups or discounts need to be consistent with prevailing institutional trades at the time of each transaction and are to be compared to market quotations for the same type and maturity investment on the Bloomberg independent market quotation information service or a comparable service available in the Office. In certain exigent circumstances, the Office may solicit less than three (3) competitive bids. The guiding principle with choosing any bid for any investment transaction made by the Office is the quality of the bid and the assurance that the bidder can complete the investment transaction.

5.4 Sale of Securities:

Section 2-32-580 of the Municipal Code provides that

“At any time that the balance of cash in the city treasury shall for any reason become less than the amount necessary for immediate use, then the comptroller and city treasurer jointly may, in their discretion, sell or cause to be sold such amount or amounts of the securities so purchased under the authority herein granted as may be necessary to insure the keeping on hand of a sufficient amount of money for such immediate needs. Such sales shall be at not less than the par value or the cost thereof, whichever is greater, with accrued interest thereon unless otherwise authorized by the city council.”

6.0 ETHICS AND CONFLICT OF INTEREST:

It is the policy of the Office and in compliance with Section 2-156-080 of the Municipal Code that no person acting on behalf of the investment function in the Office shall, in any manner, have any interest, either directly or indirectly, in any investments in which the Office is authorized to invest; or receive in any manner, compensation of any kind, from any investments from the sellers, sponsors or managers of such investments. Investment officers and other staff 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.

The City's Governmental Ethics Ordinance, Chapter 2-156 and State law limit the gifts that employees, officials, their spouses, and/or their minor children can accept from persons who have an interest in city business.

7.0 AUTHORIZED BROKER/ DEALERS AND QUALIFIED INSTITUTIONS:

The City Treasurer will maintain a list of broker/dealers authorized to provide investment services in the City and the State. In addition, a list will be maintained of approved financial institutions authorized to provide investment services. No public deposits shall be made except in municipal depositories approved by City Council.

Depositories. Section 2-32-400 of the Municipal Code allows only regularly organized state or national banks insured by the Federal Deposit Insurance Corporation (“FDIC”) and federal and state savings and loan associations insured by Savings Association Insurance Fund of the FDIC to be designated as possible municipal depositories. Depository institutions should be economically viable and have practices that would not impair the safety of investments.

Broker/Dealer. The Office has a Request for Information (RFI) questionnaire to facilitate annual qualification of each broker/dealer interested in working with the City investments. The Office evaluates interested broker/dealers on the basis of criteria set by the City Treasurer, including the firm’s prior experience, financial stability, and other requirements deemed necessary by the Office, the Municipal Code or other applicable government agencies. The Office on an annual basis notifies brokers/dealers of their approval in writing.

The City Treasurer maintains relationships with qualified members of the broker/dealer community who understand the permitted investment constraints and goals of the Office. No broker/dealer or financial institution may present investments to the City Treasurer unless they have signed a sworn certification serving as an affidavit that the institution understands the eligible investment securities that can be purchased for the City. Only broker/dealers with offices located in the City are used to transact business for the City investment accounts.

8.0 AUTHORIZED INVESTMENTS:

The City Treasurer has authorized the following types of investments subject to the provisions of Section 2-32-520 of the Municipal Code and the Public Funds Investment Act (30 ILCS 235):

- (A). Interest-bearing general obligations of the United States and the State of Illinois;
- (B). United States treasury bills and other non-interest bearing general obligations of the United States when offered for sale in the open market at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;
- (C). Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;
- (D). Short-term discount obligations of the United States government or United States government agencies;
- (E). Reverse repurchase agreements if the term does not exceed 90 days and the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement. Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided the city has on file a master repurchase agreement;
- (F). Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized

at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; or (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

- (G). Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in the AAA or AA rating categories by at least two accredited ratings agencies;
- (H). Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;
- (I). Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market funds' portfolios are limited to investments authorized by this section;
- (J). Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;
- (K). Except where otherwise restricted or prohibited, a non-interest bearing savings account, non-interest bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the city;
- (L). Bonds of companies organized in the United States with assets exceeding \$500,000,000 that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. Investments authorized by this subsection (L) shall, at the time of purchase, not exceed 5% of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years;
- (M). Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. Investments authorized by this subsection (M) shall, at the time of purchase, not exceed 10% of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years. For purposes of this subsection (M), an "international financial institution" means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;
- (N). United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. The investments authorized by this subsection (N) shall, at the time of

purchase, not exceed five percent of the total holdings across all funds, including principal and interest and the maturity shall not exceed 10 years;

- (O). Interest-bearing bonds of any country, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, within the 5 highest rating categories by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions. The maturity of the bonds authorized by this subsection (O) shall, at the time of purchase, not exceed 10 years; provided that a longer maturity is authorized if the city has a put option to tender the bonds within 10 years from the date of purchase.

All securities so purchased, excepting the bond authorized in subsection (O) and the tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the city purchased under subsection (C), shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

9.0 INVESTMENT RESTRICTIONS:

The City Treasurer will not utilize investment of leveraged transactions, financial forwards, futures, hedged investments, index amortizing notes, dual index notes, de-leveraged bonds, range bonds, inverse floaters, interest only, principal only bonds and any other financial derivative. The City Treasurer is not authorized, without the approval of the City Council, to (i) invest in financial agreements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities products, or (ii) borrow against or otherwise obligate City investments, other than for purposes of a security lending transaction conducted under section 2-32-575 of the Municipal Code.

10.0 COLLATERALIZATION:

In order to protect the City public fund deposits, depository institutions are to maintain collateral pledges on City certificates of deposit during the term of the deposit of at least 102% of marketable U.S. government or approved securities or surety bonds issued by top-rated insurers. Collateral is required as security for any amount in excess of the federal deposit insurance limit. The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. Repurchase agreements must also be collateralized in an amount of 102% of market value of principal and accrued interest.

The final maturity of acceptable collateral pledged shall not exceed 120 months. Collateral pledged for repurchase agreements shall be marked to market at least weekly during the term of the agreement. Additional collateral will be required when the ratio falls below the level required.

11.0 SAFEKEEPING AND CUSTODY:

All securities and collateral will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts. Safekeeping will be documented by an approved written agreement. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

12.0 DIVERSIFICATION:

A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions.

13.0 INTERNAL CONTROLS:

The City Treasurer, as the Chief Investment Officer, shall maintain a system of internal controls and written operational procedures that shall be documented. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

In addition, the City Treasurer has established a system of internal controls to ensure that staff positions and functional duties are adequately segregated for separation of duties between the investment and accounting operations.

These controls shall be tested and reviewed periodically by external auditors during the audit.

14.0 PERFORMANCE EVALUATION:

The City Treasurer will utilize the average three (3) months U.S. Treasury Bill return or other appropriate benchmarks to determine whether market average yields are being achieved.

15.0 REPORTING:

The Office shall record all investment transactions. A written report will be generated monthly for internal purposes listing all active investments by class or type, maturity of investments, book value, interest rate, income earned, including the fair market value of all investments as of the report date and other pertinent information deemed necessary. This report will be submitted to the Chief Financial Officer of the City for distribution to the Mayor and City Council on a quarterly basis pursuant to the Public Funds Investment Act.

16.0 PERIODIC REVIEW:

An annual independent audit and review of the Office's books and records is performed to evaluate the nature of overall portfolio investment activities and to verify invested funds. The independent audit review also examines procedures and written guidelines and established internal control mechanisms to ensure compliance with the objectives of this Policy.

17.0 MINORITY-OWNED FINANCIAL INSTITUTIONS:

When investing or depositing public funds, each custodian for the City Treasurer shall, to the extent permitted by the Public Funds Investment Act (30 ILCS 235) and by the lawful and reasonable performance of his or her custodial duties, invest or deposit such funds with or in minority-owned financial institutions within the City.

18.0 HUMAN RIGHTS:

It is the policy of the City Treasurer and in compliance with Section 2-160-030 of the Municipal Code that discrimination on the basis of race, color, religion, age, national origin, gender, sexual

orientation, ancestry, disability, marital status, parental status, source of income or military discharge status will not be tolerated.

19.0 POLICY ADOPTION AND AMENDMENT:

This Policy may be reviewed from time to time and amended by the City Treasurer and shall be consistent with the provisions of the Municipal Code pertaining to investments. Copies of the written policy and any amendments thereto shall be kept on file with the city clerk and the comptroller, and shall be submitted annually, or if amended, no later than 30 days after such amendment, to the chairman of the city council on finance and the chief financial officer.

MUNICIPAL CODE OF CHICAGO
ARTICLE VI. - INVESTMENT OF CITY FUNDS AND MUNICIPAL BONDS

2-32-515 Investment policy.

The treasurer shall adopt a written investment policy which shall address the safety of the principal, liquidity of funds and return on investment. The policy shall be consistent with the provisions of this Code pertaining to investments. Subject to the requirements of this section, the treasurer may amend the written policy from time to time. Copies of the written policy and any amendments thereto shall be kept on file with the city clerk and the comptroller, and shall be submitted annually, or if amended, no later than 30 days after such amendment, to the chairman of the city council on finance and the chief financial officer.

(Added Coun. J. 1-11-05, p. 40561, § 2)

2-32-520 Authorized classes of securities.

The comptroller and treasurer jointly shall have authority to use any and all funds in the city treasury which are set aside for use for particular purposes and not immediately necessary for such purposes, for the purchase of the following classes of securities:

- (a) Interest-bearing general obligations of the United States and the State of Illinois;
- (b) United States treasury bills and other non- interest bearing general obligations of the United States when offered for sale in the open market at a price below the face value of same, so as to afford the city a return on such investment in lieu of interest;
- (c) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;
- (d) Short-term discount obligations of the United States government or United States government agencies;
- (e) Reverse repurchase agreements if the term does not exceed 90 days and the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement. Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the city has on file a master repurchase agreement;
- (f) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable United States government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of

any political subdivision or agency of the State of Illinois or of any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investment; or (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

(g) Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;

(h) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the city's tax-exempt debt obligations;

(i) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;

(j) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;

(k) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the city;

(l) Bonds of companies organized in the United States with assets exceeding \$500,000,000 that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. Investments authorized by this subsection (l) shall, at the time of purchase, not exceed 5% of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years;

(m) Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. Investments authorized by this subsection (m) shall, at the time of purchase, not exceed 10% of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years. For purposes of this subsection (m), an "international financial institution" means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;

(n) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies. The investments authorized by this subsection (n) shall, at the time of

purchase, not exceed five percent of the total holdings across all funds, including principal and interest and the maturity shall not exceed 10 years;

(o) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, within the 5 highest rating categories by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions. The maturity of the bonds authorized by this subsection (o) shall, at the time of purchase, not exceed 10 years; provided that a longer maturity is authorized if the city has a put option to tender the bonds within 10 years from the date of purchase.

All securities so purchased, excepting the bonds authorized in subsection (o) and the tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the city purchased under subsection (c), shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

Neither the comptroller nor treasurer shall have authority, without the approval of the city council, to (i) invest in financial agreements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities, or (ii) borrow against or otherwise obligate city investments for the purpose of investment, other than for purposes of a security lending transaction conducted under Section [2-32-575](#).

(Prior code § 7-41; Amend Coun. J. 1-11-91, p. 28759; Amend Coun. J. 7-29-92 p. 19377; Amend Coun. J. 12-21-94, p. 63416; Amend Coun. J. 11-5-03, p. 9539, § 1; Amend Coun. J. 11-7-07, p. 12472, § 1)

2-32-530 Investments from particular funds.

Whenever it is deemed advisable by the comptroller and treasurer jointly to invest a particular fund, or any portion thereof, in any of the securities provided for by this chapter, or when the same is ordered by the city council, the comptroller and treasurer may make such investment for and on account of such particular fund. In such event the interest, when it becomes due, and the principal, when the same matures and is collected, shall be turned over to the credit of such particular fund so invested.

To the extent that any such particular fund is so invested, it shall not share in the pro rata distribution of interest which may accrue to the aggregate of the funds used for the purchase of securities as herein provided for; provided, however, that such particular fund, as to the surplus which may remain therein after such investment, shall be entitled to its pro rata share of the interest which may accrue to the aggregate of the funds used as aforesaid.

(Prior code § 7-42)

2-32-540 Investments from aggregate of funds.

Any securities that may be in the custody of the city treasurer as a result of purchases made with monies of any particular funds, may be held by the treasurer as an investment from the aggregate of funds available in the city treasury, in accordance with the provisions of this chapter, if the comptroller and treasurer jointly deem it advisable to so change the ownership of same or any portion thereof. In case such change is so determined upon, the particular fund originally invested shall be credited with the amount of the principal and accrued interest up to the date of the transfer of the ownership of such securities from the particular fund to the aggregate of funds in the city treasury.

(Prior code § 7-43)

2-32-550 Investments in tax warrants.

In all cases where warrants in anticipation of taxes have been duly authorized and the comptroller shall find it necessary or expedient to sell them, or any portion thereof, the comptroller may turn such tax warrants over to the treasurer. Thereupon the treasurer shall purchase the same out of the aggregate of funds held in the city treasury to the extent that such may be invested without reducing the balance on hand below the amount immediately necessary to meet warrants drawn on the city treasury in the regular course of business.

(Prior code § 7-44)

2-32-570 Custody of securities.

All securities purchased under the authority herein granted, unless resold or canceled and reissued for purposes of resale as herein provided for, shall be held in the custody of the treasurer until the principal and interest shall have been entirely paid and placed to the credit of the various funds or the particular fund from which the money has been withdrawn as authorized by this chapter.

(Prior code § 7-45)

2-32-575 Lending securities.

(a) The comptroller and city treasurer jointly may lend securities in the city treasury to a borrower upon such terms and conditions as may be mutually agreed in writing. Such agreement shall provide that during the period of the loan the city shall retain the right to receive, or collect from the borrower, all dividends, interest rights, or any distributions to which the city would have otherwise been entitled. The transfer of the securities shall be through a lending agent which is an approved municipal depository pursuant to [Section 2-32-400](#).

(b) The borrower shall deposit with the city treasurer as collateral for such loan cash or United States government securities equal to 102 percent of the market value of the securities at the time the loan is made, and shall increase the amount of collateral when the comptroller and the city treasurer request an additional amount because of a subsequent increase in the market value of the securities.

(c) The period for which the securities may be lent shall not exceed one year, and the loan agreement may specify early termination by either party upon mutually agreed conditions.

(d) The lending agent shall have the authority to invest the collateral on behalf of the city. Investment by the lending agent of the collateral shall not be subject to the restrictions of Section [2-32-520](#); provided however, that investment of the collateral shall be limited to investments approved by the comptroller and city treasurer in accordance with sound and prudent investment policies.

(Added Coun. J. 11-5-03, p. 9539, § 1)

2-32-580 Sale of securities.

The comptroller and city treasurer may sell a security prior to maturity at such price that the comptroller and city treasurer shall deem advisable including at, above or below the purchase price of the security when in the determination of the comptroller and city treasurer the sale of the security is necessary to: (1) ensure sufficient amount of money on hand when the balance of cash in the city treasury has for any reason become less than the amount necessary for immediate use; (2) enhance the overall portfolio yield; (3) minimize further erosion and loss of investment principal; or (4) minimize the city's exposure to market and credit risks.

The city treasurer shall cooperate with the comptroller in the cancellation and reissue of tax warrants sold in such a way that no duplication thereof shall take place.

(Prior code § 7-46; Amend Coun. J. 11-7-07, p. 12472, § 1)

2-32-590 Municipal bonds – Comptroller's endorsements.

By the endorsement of the comptroller upon any bonds of the city payable to bearer, when presented for that purpose by the owner, such bonds shall become payable only to the party named in such endorsement, his assignees or legal representatives, anything on the face of such bonds to the contrary notwithstanding. The affidavit of the party presenting any such bonds, or his authorized agent or attorney, to the effect that he is the owner thereof, shall be sufficient evidence to the comptroller of such ownership.

The endorsement of the comptroller may be in the following form:

By virtue of the act of the general assembly of Illinois, the ordinances of the City of Chicago, and the consent of (A. B.) the owner of this bond, this bond is made payable only to said (A. B.), his assignees or legal representatives, anything on the face hereof to the contrary notwithstanding. (C. D.) Comptroller.

(Prior code § 7-47)

2-32-600 Municipal bonds – Repurchase conditions and procedures.

The comptroller and treasurer shall have authority to repurchase municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the city. The comptroller and treasurer are hereby authorized to use, for the purpose of making such repurchases, money

out of any fund set aside for use for some particular purpose that is not immediately necessary for that purpose. Instruments repurchased under this section may be canceled or may be held in the custody of the city treasurer as provided in this chapter.

(Prior code § 7-48; Amend Coun. J. 11-5-03, p. 9539, § 1)

2-32-610 Reserved.

Editor's note – Coun. J. 11-5-03, p. 9539, § 1, repealed § 2-32-610, which pertained to repurchased bonds – custody and disposition.

2-32-620 Comptroller – Authority to perform treasurer's securities duties when.

If a vacancy exists in the office of city treasurer or the treasurer is absent from the city or otherwise incapacitated to perform his duties the comptroller and the mayor or either of them alone shall have authority to perform the functions of the comptroller and treasurer jointly in the purchase, repurchase, sale or resale of any securities or the investment of city funds as provided in Sections [2-32-520](#) to [2-32-610](#), inclusive.

(Prior code § 7-49.1)

ILLINOIS PUBLIC FUNDS INVESTMENT ACT

(30 ILCS 235/)

(30 ILCS 235/0.01) (from Ch. 85, par. 900)

Sec. 0.01. Short title. This Act may be cited as the Public Funds Investment Act.

(Source: P.A. 86-1324.)

(30 ILCS 235/1) (from Ch. 85, par. 901)

Sec. 1. The words "public funds", as used in this Act, mean current operating funds, special funds, interest and sinking funds, and funds of any kind or character belonging to or in the custody of any public agency.

The words "public agency", as used in this Act, mean the State of Illinois, the various counties, townships, cities, towns, villages, school districts, educational service regions, special road districts, public water supply districts, fire protection districts, drainage districts, levee districts, sewer districts, housing authorities, the Illinois Bank Examiners' Education Foundation, the Chicago Park District, and all other political corporations or subdivisions of the State of Illinois, now or hereafter created, whether herein specifically mentioned or not. This Act does not apply to the Illinois Prepaid Tuition Trust Fund, private funds collected by the Illinois Conservation Foundation, or pension funds or retirement systems established under the Illinois Pension Code, except as otherwise provided in that Code.

(Source: P.A. 91-669, eff. 1-1-00; 92-797, eff. 8-15-02.)

(30 ILCS 235/2) (from Ch. 85, par. 902)

Sec. 2. Authorized investments.

(a) Any public agency may invest any public funds as follows:

(1) in bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;

(2) in bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;

(3) in interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;

(4) in short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or

(5) in money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in paragraph (1) or (2) of this subsection and to agreements to repurchase such obligations.

(a-1) In addition to any other investments authorized under this Act, a municipality may invest its public funds in interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the municipality or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

(b) Investments may be made only in banks which are insured by the Federal Deposit Insurance Corporation. Any public agency may invest any public funds in short term discount obligations of the Federal National Mortgage Association or in shares or other forms of securities legally issuable by savings banks or savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States. Investments may be made only in those savings banks or savings and loan associations the shares, or investment certificates of which are insured by the Federal Deposit Insurance Corporation. Any such securities may be purchased at the offering or market price thereof at the time of such purchase. All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of such governing authority, the public funds so invested will be required for expenditure by such public agency or its governing authority. The expressed judgment of any such governing authority as to the time when any public funds will be required for expenditure or be redeemable is final and conclusive. Any public agency may invest any public funds in dividend-bearing share accounts, share certificate accounts or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of any such credit union must be located within the State of Illinois. Investments may be made only in those credit unions the accounts of which are insured by applicable law.

(c) For purposes of this Section, the term "agencies of the United States of America" includes: (i) the federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the federal home loan banks and the federal home loan mortgage corporation; and (iii) any other agency created by Act of Congress.

(d) Except for pecuniary interests permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal

Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as treasurer or financial officer or who is employed in any similar capacity by or for a public agency may do any of the following:

(1) have any interest, directly or indirectly, in any investments in which the agency is authorized to invest.

(2) have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.

(3) receive, in any manner, compensation of any kind from any investments in which the agency is authorized to invest.

(e) Any public agency may also invest any public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act. Any public agency may also invest any public funds in a fund managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company or use the services of such an entity to hold and invest or advise regarding the investment of any public funds.

(f) To the extent a public agency has custody of funds not owned by it or another public agency and does not otherwise have authority to invest such funds, the public agency may invest such funds as if they were its own. Such funds must be released to the appropriate person at the earliest reasonable time, but in no case exceeding 31 days, after the private person becomes entitled to the receipt of them. All earnings accruing on any investments or deposits made pursuant to the provisions of this Act shall be credited to the public agency by or for which such investments or deposits were made, except as provided otherwise in Section 4.1 of the State Finance Act or the Local Governmental Tax Collection Act, and except where by specific statutory provisions such earnings are directed to be credited to and paid to a particular fund.

(g) A public agency may purchase or invest in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued thereunder. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

(h) Except for repurchase agreements of government securities which are subject to the Government Securities Act of 1986, as now or hereafter amended or succeeded, no public agency may purchase or invest in instruments which constitute repurchase agreements, and no financial institution may enter into such an agreement with or on behalf of any public agency unless the instrument and the transaction meet the following requirements:

(1) The securities, unless registered or inscribed in the name of the public agency, are purchased through banks or trust companies authorized to do business in the State of Illinois.

(2) An authorized public officer after ascertaining which firm will give the most favorable rate of interest, directs the custodial bank to "purchase" specified securities from a designated institution. The "custodial bank" is the bank or trust company, or agency of

government, which acts for the public agency in connection with repurchase agreements involving the investment of funds by the public agency. The State Treasurer may act as custodial bank for public agencies executing repurchase agreements. To the extent the Treasurer acts in this capacity, he is hereby authorized to pass through to such public agencies any charges assessed by the Federal Reserve Bank.

(3) A custodial bank must be a member bank of the Federal Reserve System or maintain accounts with member banks. All transfers of book-entry securities must be accomplished on a Reserve Bank's computer records through a member bank of the Federal Reserve System. These securities must be credited to the public agency on the records of the custodial bank and the transaction must be confirmed in writing to the public agency by the custodial bank.

(4) Trading partners shall be limited to banks or trust companies authorized to do business in the State of Illinois or to registered primary reporting dealers.

(5) The security interest must be perfected.

(6) The public agency enters into a written master repurchase agreement which outlines the basic responsibilities and liabilities of both buyer and seller.

(7) Agreements shall be for periods of 330 days or less.

(8) The authorized public officer of the public agency informs the custodial bank in writing of the maturity details of the repurchase agreement.

(9) The custodial bank must take delivery of and maintain the securities in its custody for the account of the public agency and confirm the transaction in writing to the public agency. The Custodial Undertaking shall provide that the custodian takes possession of the securities exclusively for the public agency; that the securities are free of any claims against the trading partner; and any claims by the custodian are subordinate to the public agency's claims to rights to those securities.

(10) The obligations purchased by a public agency may only be sold or presented for redemption or payment by the fiscal agent bank or trust company holding the obligations upon the written instruction of the public agency or officer authorized to make such investments.

(11) The custodial bank shall be liable to the public agency for any monetary loss suffered by the public agency due to the failure of the custodial bank to take and maintain possession of such securities.

(i) Notwithstanding the foregoing restrictions on investment in instruments constituting repurchase agreements the Illinois Housing Development Authority may invest in, and any financial institution with capital of at least \$250,000,000 may act as custodian for, instruments that constitute repurchase agreements, provided that the Illinois Housing Development Authority, in making each such investment, complies with the safety and soundness guidelines for engaging in repurchase transactions applicable to federally insured banks, savings banks, savings and loan associations or other depository institutions as set forth in the Federal Financial

Institutions Examination Council Policy Statement Regarding Repurchase Agreements and any regulations issued, or which may be issued by the supervisory federal authority pertaining thereto and any amendments thereto; provided further that the securities shall be either (i) direct general obligations of, or obligations the payment of the principal of and/or interest on which are unconditionally guaranteed by, the United States of America or (ii) any obligations of any agency, corporation or subsidiary thereof controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States and provided further that the security interest must be perfected by either the Illinois Housing Development Authority, its custodian or its agent receiving possession of the securities either physically or transferred through a nationally recognized book entry system.

(j) In addition to all other investments authorized under this Section, a community college district may invest public funds in any mutual funds that invest primarily in corporate investment grade or global government short term bonds. Purchases of mutual funds that invest primarily in global government short term bonds shall be limited to funds with assets of at least \$100 million and that are rated at the time of purchase as one of the 10 highest classifications established by a recognized rating service. The investments shall be subject to approval by the local community college board of trustees. Each community college board of trustees shall develop a policy regarding the percentage of the college's investment portfolio that can be invested in such funds.

Nothing in this Section shall be construed to authorize an intergovernmental risk management entity to accept the deposit of public funds except for risk management purposes.
(Source: P.A. 96-741, eff. 8-25-09.)

(30 ILCS 235/2.5)

Sec. 2.5. Investment policy.

(a) Investment of public funds by a public agency shall be governed by a written investment policy adopted by the public agency. The level of detail and complexity of the investment policy shall be appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio. The policy shall address safety of principal, liquidity of funds, and return on investment and shall require that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. In addition, the investment policy shall include or address the following:

- (1) a listing of authorized investments;
- (2) a rule, such as the "prudent person rule", establishing the standard of care that must be maintained by the persons investing the public funds;
- (3) investment guidelines that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;
- (4) a policy regarding diversification of the investment portfolio that is appropriate to the nature of

the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(5) guidelines regarding collateral requirements, if any, for the deposit of public funds in a financial institution made pursuant to this Act, and, if applicable, guidelines for contractual arrangements for the custody and safekeeping of that collateral;

(6) a policy regarding the establishment of a system of internal controls and written operational procedures designed to prevent losses of funds that might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the entity;

(7) identification of the chief investment officer who is responsible for establishing the internal controls and written procedures for the operation of the investment program;

(8) performance measures that are appropriate to the nature of the funds, the purpose for the funds, and the amount of the public funds within the investment portfolio;

(9) a policy regarding appropriate periodic review of the investment portfolio, its effectiveness in meeting the public agency's needs for safety, liquidity, rate of return, and diversification, and its general performance;

(10) a policy establishing at least quarterly written reports of investment activities by the public agency's chief financial officer for submission to the governing body and chief executive officer of the public agency. The reports shall include information regarding securities in the portfolio by class or type, book value, income earned, and market value as of the report date;

(11) a policy regarding the selection of investment advisors, money managers, and financial institutions; and

(12) a policy regarding ethics and conflicts of interest.

(b) For purposes of the State or a county, the investment policy shall be adopted by the elected treasurer and presented to the chief executive officer and the governing body. For purposes of any other public agency, the investment policy shall be adopted by the governing body of the public agency.

(c) The investment policy shall be made available to the public at the main administrative office of the public agency.

(d) The written investment policy required under this Section shall be developed and implemented by January 1, 2000. (Source: P.A. 90-688, eff. 7-31-98.)

(30 ILCS 235/2.10)

Sec. 2.10. Unit of local government; deposit at reduced rate of interest. The treasurer of a unit of local government may, in his or her discretion, deposit public moneys of that unit of local government in a financial institution pursuant to an agreement that provides for a reduced rate of interest, provided that the institution agrees to expend an amount of money equal to the amount of the reduction for senior centers. (Source: P.A. 93-246, eff. 7-22-03.)

(30 ILCS 235/3) (from Ch. 85, par. 903)

Sec. 3. If any securities, purchased under authority of Section 2 hereof, are issuable to a designated payee or to the order of a designated payee, then the public agency shall be so designated, and further, if such securities are purchased with money taken from a particular fund of a public agency, the name of such fund shall be added to that of such public agency. If any such securities are registerable, either as to principal or interest, or both, then such securities shall be so registered in the name of the public agency, and in the name of the fund to which they are to be credited.
(Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/4) (from Ch. 85, par. 904)

Sec. 4. All securities purchased under the authority of this Act shall be held for the benefit of the public agency which purchased them, and if purchased with money taken from a particular fund, such securities shall be credited to and deemed to be a part of such fund, and shall be held for the benefit thereof. All securities so purchased shall be deposited and held in a safe place by the person or persons having custody of the fund to which they are credited, and such person or persons are responsible upon his or their official bond or bonds for the safekeeping of all such securities. Any securities purchased by any such public agency under authority of this Act, may be sold at any time, at the then current market price thereof, by the governing authority of such public agency. Except as provided in Section 4.1 of "An Act in relation to State finance", all payments received as principal or interest, or otherwise, derived from any such securities shall be credited to the public agency and to the fund by or for which such securities were purchased.
(Source: P.A. 84-1378.)

(30 ILCS 235/5) (from Ch. 85, par. 905)

Sec. 5. This Act, without reference to any other statute, shall be deemed full and complete authority for the investment of public funds, as hereinabove provided, and shall be construed as an additional and alternative method therefor.
(Source: Laws 1943, vol. 1, p. 951.)

(30 ILCS 235/6) (from Ch. 85, par. 906)

Sec. 6. Report of financial institutions.

(a) No bank shall receive any public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last two sworn statements of resources and liabilities which the bank is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency. Each bank designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or to the Comptroller of the Currency; provided, that if such funds or moneys are deposited in a bank, the amount of all such deposits not collateralized or insured by an agency of the federal

government shall not exceed 75% of the capital stock and surplus of such bank, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any bank in excess of such limitation.

(b) No savings bank or savings and loan association shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a deposit with copies of the last 2 sworn statements of resources and liabilities which the savings bank or savings and loan association is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation. Each savings bank or savings and loan association designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all statements of resources and liabilities which it is required to furnish to the Commissioner of Banks and Real Estate or the Federal Deposit Insurance Corporation; provided, that if such funds or moneys are deposited in a savings bank or savings and loan association, the amount of all such deposits not collateralized or insured by an agency of the federal government shall not exceed 75% of the net worth of such savings bank or savings and loan association as defined by the Federal Deposit Insurance Corporation, and the corporate authorities of a public agency submitting a deposit shall not be discharged from responsibility for any funds or moneys deposited in any savings bank or savings and loan association in excess of such limitation.

(c) No credit union shall receive public funds unless it has furnished the corporate authorities of a public agency submitting a share deposit with copies of the last two reports of examination prepared by or submitted to the Illinois Department of Financial Institutions or the National Credit Union Administration. Each credit union designated as a depository for public funds shall, while acting as such depository, furnish the corporate authorities of a public agency with a copy of all reports of examination prepared by or furnished to the Illinois Department of Financial Institutions or the National Credit Union Administration; provided that if such funds or moneys are invested in a credit union account, the amount of all such investments not collateralized or insured by an agency of the federal government or other approved share insurer shall not exceed 50% of the unimpaired capital and surplus of such credit union, which shall include shares, reserves and undivided earnings and the corporate authorities of a public agency making an investment shall not be discharged from responsibility for any funds or moneys invested in a credit union in excess of such limitation.

(d) Whenever a public agency deposits any public funds in a financial institution, the public agency may enter into an agreement with the financial institution requiring any funds not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer to be collateralized by any of the following classes of securities, provided there has been no default in the payment of principal or interest thereon:

(1) Bonds, notes, or other securities constituting

direct and general obligations of the United States, the bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, the interest and principal of which is unconditionally guaranteed by the United States, and bonds, notes, or other securities or evidence of indebtedness constituting the obligation of a U.S. agency or instrumentality.

(2) Direct and general obligation bonds of the State of Illinois or of any other state of the United States.

(3) Revenue bonds of this State or any authority, board, commission, or similar agency thereof.

(4) Direct and general obligation bonds of any city, town, county, school district, or other taxing body of any state, the debt service of which is payable from general ad valorem taxes.

(5) Revenue bonds of any city, town, county, or school district of the State of Illinois.

(6) Obligations issued, assumed, or guaranteed by the International Finance Corporation, the principal of which is not amortized during the life of the obligation, but no such obligation shall be accepted at more than 90% of its market value.

(7) Illinois Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing Development Act.

(8) In an amount equal to at least market value of that amount of funds deposited exceeding the insurance limitation provided by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer: (i) securities, (ii) mortgages, (iii) letters of credit issued by a Federal Home Loan Bank, or (iv) loans covered by a State Guarantee under the Illinois Farm Development Act, if that guarantee has been assumed by the Illinois Finance Authority under Section 845-75 of the Illinois Finance Authority Act, and loans covered by a State Guarantee under Article 830 of the Illinois Finance Authority Act.

(9) Certificates of deposit or share certificates issued to the depository institution pledging them as security. The public agency may require security in the amount of 125% of the value of the public agency deposit. Such certificate of deposit or share certificate shall:

(i) be fully insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund or issued by a depository institution which is rated within the 3 highest classifications established by at least one of the 2 standard rating services;

(ii) be issued by a financial institution having assets of \$15,000,000 or more; and

(iii) be issued by either a savings and loan association having a capital to asset ratio of at least 2%, by a bank having a capital to asset ratio of at least 6% or by a credit union having a capital to asset ratio of at least 4%.

The depository institution shall effect the assignment of the certificate of deposit or share certificate to the public

agency and shall agree that, in the event the issuer of the certificate fails to maintain the capital to asset ratio required by this Section, such certificate of deposit or share certificate shall be replaced by additional suitable security.

(e) The public agency may accept a system established by the State Treasurer to aggregate permissible securities received as collateral from financial institutions in a collateral pool to secure public deposits of the institutions that have pledged securities to the pool.

(f) The public agency may at any time declare any particular security ineligible to qualify as collateral when, in the public agency's judgment, it is deemed desirable to do so.

(g) Notwithstanding any other provision of this Section, as security a public agency may, at its discretion, accept a bond, executed by a company authorized to transact the kinds of business described in clause (g) of Section 4 of the Illinois Insurance Code, in an amount not less than the amount of the deposits required by this Section to be secured, payable to the public agency for the benefit of the People of the unit of government, in a form that is acceptable to the public agency.

(h) Paragraphs (a), (b), (c), (d), (e), (f), and (g) of this Section do not apply to the University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the Cooperative Computer Center and public community colleges. (Source: P.A. 95-331, eff. 8-21-07.)

(30 ILCS 235/6.5)

Sec. 6.5. Federally insured deposits at Illinois financial institutions.

(a) Notwithstanding any other provision of this Act or any other statute, whenever a public agency invests public funds in an interest-bearing savings account, interest-bearing certificate of deposit, or interest-bearing time deposit under Section 2 of this Act, the provisions of Section 6 of this Act and any other statutory requirements pertaining to the eligibility of a bank to receive or hold public deposits or to the pledging of collateral by a bank to secure public deposits do not apply to any bank receiving or holding all or part of the invested public funds if (i) the public agency initiates the investment at or through a bank located in Illinois and (ii) the invested public funds are at all time fully insured by an agency or instrumentality of the federal government.

(b) Nothing in this Section is intended to:

(1) prohibit a public agency from requiring the bank at or through which the investment of public funds is initiated to provide the public agency with the information otherwise required by subsections (a), (b), or (c) of Section 6 of this Act as a condition of investing the public funds at or through that bank; or

(2) permit a bank to receive or hold public deposits if that bank is prohibited from doing so by any rule, sanction, or order issued by a regulatory agency or by a court.

(c) For purposes of this Section, the term "bank" includes any person doing a banking business whether subject to the laws of this or any other jurisdiction. (Source: P.A. 93-756, eff. 7-16-04.)

(30 ILCS 235/7) (from Ch. 85, par. 907)

Sec. 7. When investing or depositing public funds, each custodian shall, to the extent permitted by this Act and by the lawful and reasonable performance of his custodial duties, invest or deposit such funds with or in minority-owned financial institutions within this State.

(Source: P.A. 84-754.)

(30 ILCS 235/8)

Sec. 8. Consideration of financial institution's commitment to its community.

(a) In addition to any other requirements of this Act, a public agency is authorized to consider the financial institution's record and current level of financial commitment to its local community when deciding whether to deposit public funds in that financial institution. The public agency may consider factors including, but not necessarily limited to:

(1) for financial institutions subject to the federal Community Reinvestment Act of 1977, the current and historical ratings that the financial institution has received, to the extent that those ratings are publicly available, under the federal Community Reinvestment Act of 1977;

(2) any changes in ownership, management, policies, or practices of the financial institution that may affect the level of the financial institution's commitment to its community;

(3) the financial impact that the withdrawal or denial of deposits of public funds might have on the financial institution;

(4) the financial impact to the public agency as a result of withdrawing public funds or refusing to deposit additional public funds in the financial institution; and

(5) any additional burden on the resources of the public agency that might result from ceasing to maintain deposits of public funds at the financial institution under consideration.

(b) Nothing in this Section shall be construed as authorizing the public agency to conduct an examination or investigation of a financial institution or to receive information that is not publicly available and the disclosure of which is otherwise prohibited by law.

(Source: P.A. 93-251, eff. 7-1-04.)