

MONTANA

BOARD OF INVESTMENTS

BOARD ADOPTED POLICY

POLICY NUMBER: 40.603

EFFECTIVE DATE: November 30, 2021

TITLE: Definitions

SUPERSEDES:

BOARD ADOPTION: November 30, 2021

REVIEWED:

I. Definitions

- A. **Asset-Backed Security:** Bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit. Not mortgages.
- B. **Banker's Acceptance:** A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a discount money market fund investment.
- C. **Certificate of Deposit (CD):** A short-or medium-term, interest-bearing deposit obligation offered by banks and savings and loans. These may include "Yankee CDs" which are CDs issued by foreign banks or their U.S. affiliates in the U.S. which are denominated in U.S. dollars.
- D. **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory. Maturities typically range from two (2) to two hundred seventy (270) days. Commercial paper is available in a wide range of denominations, can be either discounted or interest-bearing, and usually have a limited or nonexistent secondary market. Commercial paper is usually issued by companies with high credit ratings, meaning that the investment is almost always relatively low risk.
- E. **Corporate Note:** A type of unsecured debt issued by a corporation that may be longer-term than Commercial Paper, but shorter-term than a typical Corporate Bond.
- F. **Repurchase Agreement:** A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. May also be called "Repo" or "Buyback." Typically used a short-term form of collateralized borrowing by a bank or securities dealer.
- G. **Reverse Repurchase Agreement:** A purchase of securities with an agreement to resell them at a higher price at a specific future date. The investor essentially borrows money and allows its securities to be held as collateral. Reverse Repurchase Agreements occur most often in government securities or other securities that are highly valued and thus considered a good form of collateral.