

SB 1119 & You

Or Supranationals:
Taking a Closer Look



Taking a Closer Look

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What is a “Supranational?”

A supranational issuer is an international development institution that provides financing, advisory services, or other financial services to the institution’s member countries to achieve the overall goal of improving living standards through sustainable economic growth.

Joint Committee on the Management of Public Funds

The bill was proposed by the State Treasurer during a hearing held by the Joint Committee on the Management of Public Funds on December 8, 2015. The Treasurer asked the joint committee to sponsor the bill in order to increase the quantity and quality of eligible investment opportunities available by including obligations issued by a supranational issuer.

Became Effective October 1, 2016

4/1/16 Passed the House (134 Yeas & 3 Nays).

4/2/16 Passed the Senate (44 Yeas & 3 Absent).

5/10/16 Governor Hogan signed into law.

Eligible Investments

- U.S. Treasury Obligations
- Federal Agency or Instrumentality Obligations
- Repurchase Agreements (collateralized 102%)
- Bankers Acceptances
- Municipal Securities for Bond Funds Only
- Commercial Paper (not to exceed 10% of portfolio)
- Money Market Mutual Funds
- Maryland Local Government Investment Pool (MLGIP)
- Certificates of Deposit
- AND NOW: Approved Supranationals

Approved Supranational Issuers

- World Bank –International Bank for Reconstruction and Development (IBRD)
- International Finance Corporation (IFC)
- Inter-American Development Bank (IDB)
- African Development Bank (AfDB)
- Asian Development Bank (AsDB)

Interest = Risk premium

- Extended low rate environment.
- Be very careful when reaching for yield.
- If you cannot figure out how the investment works and how much you will earn for investing, you cannot afford to own the bond.
- Always expect yield to worst. (Occasionally you may be pleasantly surprised!).

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