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OREGON STATE TREASURY

Local Government

News Report

SEPTEMBER 2018

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HOLIDAY

**Columbus Day
October 8**

Pool Closed

See article for more information

SEC RULE 15C2-12 AMENDMENT

On August 20, 2018, the Securities Exchange Commission (SEC) [Final Rule 34-83885](#) amended Rule 15c2-12, adding two events to the existing fourteen events requiring certain notice filings within 10 business days of occurrence with Municipal Securities Rulemaking Board—Electronic Municipal Market Access (MSRB—EMMA). State and local governments' debt outside the bond market has tripled since the end of 2010; the amendments are designed to enhance transparency and better inform investors about municipal securities issuers or obligated persons financial condition.

An overview of the new requirements follows; the hyperlinks will help you access public web sites with a wealth of information.

The [SEC's Press Release 2018-158](#) lists the two new amendments as

- "Rule 15c2-12(b)(5)(i)(C)(15) - Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of defaults, remedies, priority rights, or other similar terms of financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Rule 15c2-12(b)(5)(i)(C)(16) - Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties."

The press release defines "financial obligation" as "a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule."

[SEC's Accounting Bulletin 99](#) defines "materiality" as "the omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item."

[Kutak Rock's August 24, 2018, Publication](#) defines "debt obligation" as "any short-term or long-term debt obligation of an issuer or obligated person under the terms of an indenture, loan agreement, lease or similar contract.

INTEREST RATE

Average
Annualized Yield

August
2.25 percent

Interest Rate

August 1-31
2.25 percent

(Continued on page 2)

SEC RULE 15C2-12 AMENDMENT

(Continued from page 1)

Debt obligation includes a direct purchase of municipal securities by an investor or a direct loan by a bank. Furthermore, a debt obligation generally should be considered to include lease arrangements entered into by issuers and obligated persons that operate as vehicles to borrow money."

[Hawkins Advisory on August 22, 2018](#), clarifies scope and timing, stating "the disclosures that would be required by the amendments are already being made. The amendments address *when* such disclosures must be made. In general, material financial information of the type described...is included in official statements and/or audited financial statements. The SEC wanted to have such disclosures made closer to the time of the incurrence, to provide greater transparency to the market."

"The compliance date is 180 days after publication of the SEC Release in the Federal Register. The SEC notes that the amendments would apply to 'continuing disclosure agreements that are entered into in connection with Offerings occurring on or after the compliance date of the amendments.'" "The SEC also advised that 'an event under the terms of a financial obligation pursuant to Rule 15c2-12(b)(5)(i)(C)(16) that occurs on or after the compliance date must be disclosed regardless of whether such obligation was incurred before or after the compliance.'"

[Nixon Peabody's August 28, 2018, Alert](#) recommends affected issuers, borrowers, and underwriters establish policies and procedures to ensure due diligence compliance. "municipal issuers and borrowers will need to develop continuing disclosure policies and procedures to track the incurrence of, and amendments to, their debt obligations, as well as defaults, in a manner that permits the filing of an event notice within 10 days of the event. In addition, the policies and procedures will need to include a mechanism for assessing the *materiality* of the financial obligation or related amendment."

[Foster Pepper's August 22, 2018](#), article covers additional clarification and information on the SEC Release, concluding with "the new amendments to Rule 15c2-12 will affect continuing disclosure undertakings entered into in February 2019 (assuming the Release is published soon in the Federal Register) and thereafter. There will be added burdens to many issuers and obligated persons under those new undertakings, especially those entities that borrow money by means other than public offerings of debt, guarantee obligations of others, or use derivative instruments."

The [MSRB's August 21, 2018, Press Release](#) supports the SEC Rule 15c2-12 amendment. MSRB is updating the EMMA website to accept and display the new disclosures. EMMA currently accepts and displays bank loan and alternative financing disclosures on a voluntary basis.

UPCOMING HOLIDAY

The pool will be closed on Monday, October 8, for Columbus Day. EON will be available but the system will not allow transactions to settle on the holiday.



SNAPSHOT: LGIP INVESTOR MEETING

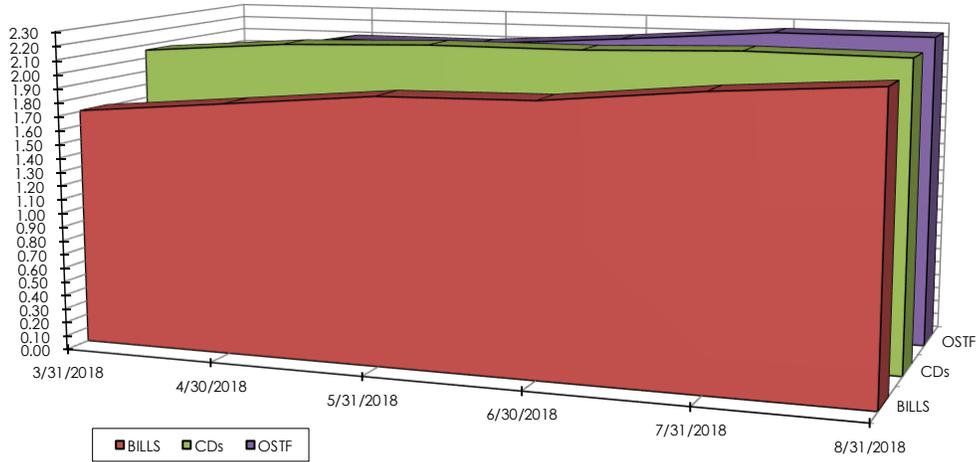


State Treasurer Tobias Read talks with local government officials at the first-ever Local Government Investment Pool investor meeting on Aug. 30. More than 50 local government officials attended the daylong session to learn about how Treasury manages the pool and to hear about the current state of Oregon's economy.

MARKET DATA TABLE

	8/31/2018	1 Month	3 Months	12 Months		8/31/2018	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	1.85	1.84	1.58	0.95	Bloomberg Barclays 1-3 Year Corporate YTW*	3.09	3.17	2.95	1.83
30-Day Agy Nt Disc**	1.94	1.89	1.72	0.96	Bloomberg Barclays 1-3 Year Corporate OAS*	0.55	0.56	0.60	0.57
90-Day Agy Nt Disc**	2.07	1.96	1.89	1.01	Bloomberg Barclays 1-3 Year Corporate Modified Duration*	1.92	1.97	1.95	1.94
180-Day Agy Nt Disc**	2.19	2.08	1.96	1.08					
360-Day Agy Nt Disc**	2.36	2.30	2.02	1.20	7-Day Muni VRDN Yield**	1.56	1.29	1.06	0.79
					O/N GGC Repo Yield**	2.02	2.02	1.89	1.11
30-Day Treasury Bill**	1.93	1.88	1.71	0.92					
60-Day Treasury Bill**	2.01	1.90	1.79	0.99	US 1 Year Inflation Break-Even**	0.99	0.82	1.65	0.64
90-Day Treasury Bill**	2.07	1.96	1.86	0.97	US 2 Year Inflation Break-Even**	1.67	1.58	1.84	1.29
6-Month Treasury Yield**	2.27	2.21	2.08	1.10	US 3 Year Inflation Break-Even**	1.85	1.80	1.93	1.44
1-Year Treasury Yield**	2.45	2.43	2.23	1.22					
2-Year Treasury Yield**	2.63	2.68	2.43	1.33	1-Day CP (A1/P1)**	1.97	1.89	1.71	1.17
3-Year Treasury Yield**	2.69	2.78	2.55	1.43	7-Day CP (A1/P1)**	1.91	1.91	1.75	1.18
					30-Day CP (A1/P1)**	2.04	2.02	1.90	1.20
1-Month LIBOR**	2.11	2.08	2.00	1.24					
3-Month LIBOR**	2.32	2.35	2.32	1.32	30-Day CD (A1/P1)**	2.02	2.02	1.90	1.23
6-Month LIBOR**	2.54	2.53	2.47	1.45	90-Day CD (A1/P1)**	2.26	2.28	2.22	1.31
12-Month LIBOR**	2.84	2.83	2.72	1.71	6-Month CD (A1/P1)**	2.48	2.50	2.42	1.40
Sources: *Bloomberg Index Services, **Bloomberg					1-Year CD (A1/P1)**	2.72	2.74	2.63	1.56

OREGON SHORT TERM FUND ANALYSIS AS OF 8-31-18



	3/31/2018	4/30/2018	5/31/2018	6/30/2018	7/31/2018	8/31/2018
LGIP AV DOLLARS INVESTED (MM)	8,085	8,051	8,001	7,167	6,778	6,959
STATE AGENCY AV DOLLARS INVESTED (MM)	10,667	10,720	11,312	11,747	11,826	11,425
TOTAL OSTF AV DOLLARS INVESTED (MM)	18,752	18,771	19,313	18,914	18,604	18,384
OST ANNUAL YIELD (ACT/ACT)	1.92	2.10	2.10	2.17	2.25	2.25
3-MO UST BILLS (BOND EQ YLD)	1.71	1.80	1.90	1.92	2.02	2.10
3-MO US CD (ACT/360)*	2.06	2.14	2.17	2.17	2.20	2.19

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to account holders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from month end. 3-MO US CD rates are obtained from Bloomberg and represent a composite of broker dealer quotes on highly rated (A1+/P1/F1+ from Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings respectively) bank certificates of deposit and are quoted on a CD equivalent yield basis.

This material is available in alternative format and media upon request.

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