



Metropolitan Transportation Authority

ANNUAL INVESTMENT REPORT

January 1, 2022 to December 31, 2022

MTA Treasury Department



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**Investment Performance by Type of Fund
For the Period January 1, 2022 to March 31, 2022
(Only funds actively managed by MTA Treasury)**

Type of Fund	Net Earnings this Period	Average Daily Portfolio Balance	End of Period Portfolio Balance	Weighted Average Yield % at End of Period	Weighted Average Days to Maturity	Net Portfolio Yield %, 365-day Basis
All Agency Investments	\$ 104,751,895	\$ 6,170,886,370	\$ 8,080,968,349	3.42	105	1.70
MTA Special Assistance Fund	5,296,338	265,508,825	34,445,849	3.00	56	1.99
TBTA Investments	4,230,518	239,445,025	255,475,439	3.76	34	1.77
MTA Finance and PMT Funds	1,266,605	38,481,871	10,078,161	3.80	25	1.83
MTA Transportation Resolution Funds	35,136,175	2,648,356,650	2,235,332,780	3.76	50	1.33
MTA Hudson Rail Yards Fund	11,537,753	166,230,425	141,122,819	4.86	7,538	6.94
State Service Contract Debt Service Fund	470	40,835	40,853	3.71	33	1.15
MTA Dedicated Tax Fund Resolution Funds	2,145,378	188,382,671	53,697,311	4.33	85	1.12
TBTA General Purpose Resolution Funds	6,240,647	367,276,571	345,218,533	3.73	59	1.70
TBTA Subordinate Resolution Funds	614,605	34,192,951	13,054,975	4.53	135	-
TBTA City Sales Tax	6,865,138	238,797,071	306,210,084	3.44	28	1.28
MTA PMT Tax Exempt Working Capital	45,015,655	2,907,933,810	2,908,734,674	3.39	714	1.55
TBTA PMT Funds	9,768,741	597,233,193	1,244,767,437	3.85	42	1.61
Other Restricted Funds	11,537,126	792,384,682	877,727,865	3.69	43	1.45
Grant Anticipation Notes	70,719	342,454,752	3,952	2.83	12	0.00
Central Business District Tolling Program	780,834	64,646,824	52,559,422	3.69	18	1.21
	\$ 245,258,598	\$ 15,062,252,525	\$ 16,559,438,503	3.54%	256	1.59%

Average Yield on 1-month Generic Treasury Bill (1/2/22 – 12/31/22) **1.43%**

Average Yield on 3-month Generic Treasury Bill (1/2/22– 12/31/22) **1.85%**

Average Yield on 6-month Generic Treasury Bill (1/2/22– 12/31/22) **2.29%**

Average Yield on 12-month Generic Treasury Bill (1/2/22 – 12/31/22) **2.55%**

Note 1: Table above only includes information on funds actively managed by MTA Treasury in accordance with the Board approved Investment Guidelines. It does not include defeasance investments for tax benefit lease transactions or insurance set asides, 270 Park Avenue Fund, NYS MOU Fund.

Note 2: MTA Transportation Resolution Funds include TRB Capitalized Interest, MTA TRB BAN (Tax-exempt), and RRIF Loan and RAN LOC.

Note 3: 'Other Restricted Funds' includes: MTA Moynihan Train Hall Stab
Fulton Street Maintenance, Hudson Yard ERY/WRY - From Related, Hudson Yard Infra Corp.,
MTA Real Estate and Advertising Revenue, Relocation from Madison Ave., SIRTOA-Capital.

Note 4: MTA PMT Tax Exempt Working Capital includes BAN Proceeds and COI.

Note 5: MTA is the bondholder of the Hudson Yards 2020A bonds.

Portfolio Statistics by Instrument Type

As of: 12/31/2022

Instrument Type	Wtd Avg Rate	Wtd Avg Yield	Wtd Avg Days to Mat	Scheduled Par Value	Scheduled Book Value
Commercial Paper	0%	3.97%	8	\$ 300,000,000	\$ 299,648,806
Federal Farm Credit Bank Discount Notes	-	4.21	58	154,000,000	152,385,778
Hudson Rail Yards Investment	5.00	5.00	8,720	121,855,000	121,855,000
Repurchase Agreement - Interest	4.22	4.22	3	248,820,000	248,820,000
State and Local Government Series (SLGS)	-	-	1,492	2,907,280,000	2,907,280,000
US Treasury Bill	-	3.71	54	10,919,627,000	10,792,817,513
US Treasury Notes Middle of Month	0.69	2.57	244	2,055,864,000	2,016,624,921
US Treasury Strips	-	2.18	319	22,753,000	20,006,485
Grand Total	0.18%	2.94%	392	\$ 16,730,199,000	\$ 16,559,438,503

Broker Activity Distribution

From: 1/1/2022
To: 12/31/2022

Broker	Total Trans Count	Purchase of Securities	% Purchases	Sale of Securities	% Sales	REPOS	% REPOS	Total
Daiwa Securities Co. Ltd.	2,404	\$ 47,783,952,844	29.7%	\$ 2,714,968,117	59.0%	\$ 28,273,054,000	99.4%	\$ 78,771,974,961
Loop Capital Markets LLC	356	13,817,296,026	8.6	151,898,987	3.3	-	0.0	13,969,195,013
Merril Lynch	159	6,685,536,028	4.2	12,706,952	0.3	-	0.0	6,698,242,980
Mizuho Securities	337	9,792,154,844	6.1	386,164,510	8.4	105,000,000	0.4	10,283,319,354
MTA	14	3,055,995,205	1.9	29,878,281	0.6	60,886,000	0.2	3,146,759,485
Royal Bank of Canada	1,679	70,759,274,420	44.0	1,156,190,075	25.1	-	0.0	71,915,464,494
Wells Fargo	260	9,048,899,866	5.6	147,600,323	3.2	-	0.0	9,196,500,189
Total	5,209	\$ 160,943,109,231	100%	\$ 4,599,407,245	100%	\$ 28,438,940,000	100%	\$ 193,981,456,477

Investment Maturity Distribution

As of: 12/31/2022

Maturity Curve	From	To	No. of Secs.	Principal Cost*	%	Cum %
One Day to 1 Month	1/3/2023	1/31/2023	162	\$ 5,386,410,331	32.55%	32.55%
1 to 2 Months	2/2/2023	2/23/2023	101	3,400,952,300	20.55	53.10
2 to 3 Months	3/2/2023	3/23/2023	47	1,799,967,398	10.88	63.97
3 to 4 Months	4/6/2023	4/27/2023	14	599,058,165	3.62	67.59
4 to 5 Months	5/15/2023	5/15/2023	21	405,564,409	2.45	70.04
5 to 6 Months	6/15/2023	6/15/2023	4	194,872,500	1.18	71.22
6 to 12 Months	8/10/2023	11/15/2023	18	734,366,555	4.44	75.66
12 to 15 Months	1/15/2024	3/15/2024	23	1,000,150,220	6.04	81.70
4+ Years	1/26/2027	1/31/2027	3	2,907,280,000	17.56	99.26
23+ Years	11/15/2046	11/15/2046	1	121,855,000	0.74	100.00%
Grand Total	1/3/2023	11/15/2046	394	\$ 16,550,476,878	100.0%	

* Principal Cost includes purchase interest not yet received.

**LISTING OF PRIMARY GOVERNMENT SECURITIES DEALERS WITH WHOM THE
MTA HAS A SIGNED A MASTER REPURCHASE AGREEMENT**

Broker Name	Capital Included in Tier Calculation	Tier Level	Balance Sheet Date
Bank of America Securities	\$ 276,197,000,000	1	12/31/2022
Citigroup Global Markets Inc.	\$ 201,189,000,000	1	12/31/2022
JP Morgan Securities	\$ 43,979,000,000	1	12/31/2022
Morgan Stanley & Company Inc.	\$ 18,988,000,000	1	12/31/2022
BNP Parabis Securities Corp.	\$ 3,241,882,000	1	12/31/2022
HSBC Securities (USA) Inc.	\$ 2,014,000,000	1	12/31/2022
Mizuho Securities, USA Inc.	\$ 2,150,938,000	1	3/31/2022
Daiwa Capital Markets America Inc.	\$ 1,405,195,000	1	3/31/2022

Repurchase Limit for Tier 1	300,000,000
Repurchase Limit for Tier 2	250,000,000
Repurchase Limit for Tier 3	Amount of firm's capital

Tier levels to determine dealer limits for repurchase agreements	
1st Tier	\$1,000.0 million or more in capital
2nd Tier	\$200.0 to \$999.9 million in capital
3rd Tier	Less tha \$200.0 million in capital

**Listing of Fees and Commission Paid to Brokers, Agents,
Dealers, Advisers and Asset Managers for Custody Accounts
For the Period 1/1/2022 to 12/31/2022**

Investment Administration and Support

The Bank of New York Custody Fees (Note 1)		\$896,676.00
Bloomberg Finance L.P. (MTA Treasury Dept)		
*Terminals, Communications and Data Licenses:	\$182,120.00	
*PeopleSoft Pricing Data/ Gov't History:	\$ 24,000.00	
		\$206,120.00
Total Fees		\$1,102,796.00
Total Commissions		<u>\$ 0.00</u>
Total 2022 Fees and Commissions (Custody):		<u>\$1,102,796.00</u>

(Note 1): This does not include Trustee Fees, just Custody Fees.

**Investment Inventory with Market Value
Sorted by Instrument**

As of: 12/31/2022

	Sched Par	Original Settlement Amount	Sched Book Value	Market Value*	Accrued Interest	Accrued (Prem)/Disc	Amortized Book Value	Unrealized Gain	Unrealized Loss	Fair Value Hierarchy Level FVHL
Commercial Paper	\$ 300,000,000	\$ 299,648,806	\$ 299,648,806	\$ 299,648,806	\$ 66,056	\$ -	\$ 299,648,806	\$ -	\$ -	2
Federal Farm Credit Bank Discount Notes	154,000,000	152,385,778	152,385,778	152,800,276	549,639	-	152,385,778	448,498	(34,000)	2
Hudson Yards 2020A Bonds	121,855,000	121,855,000	121,855,000	121,855,000	778,518	-	121,855,000	-	-	2
Repurchase Agreement - Interest	248,820,000	248,820,000	248,820,000	248,820,000	29,171	-	248,820,000	-	-	1
State and Local Government Series (SLGS)	2,907,280,000	2,907,280,000	2,907,280,000	2,952,171,299	8,333,691	-	2,907,280,000	44,891,299	-	2
US Treasury Bills	10,919,627,000	10,792,817,513	10,792,817,513	10,855,707,823	64,027,333	-	10,792,817,513	62,890,310	-	1
US Treasury Notes	2,055,864,000	2,009,145,923	2,016,624,921	1,997,743,540	4,027,543	10,085,583	2,017,203,334	30	(19,459,825)	1
US Treasury Strips	22,753,000	20,006,485	20,006,485	21,858,925	-	2,365,951	22,372,436	-	(513,511)	1
Grand Total	\$ 16,730,199,000	\$ 16,551,959,504	\$ 16,559,438,503	\$ 16,650,605,669	\$ 77,811,951	\$ 12,451,534	\$ 16,562,382,867	\$ 108,230,138	\$ (20,007,336)	

* If no Market Price, then Market Value = Book Value

**Transaction Report
Summary by Transaction Type**

From: 1/1/2022
To: 12/31/2022

Trans Type	No. of Trans.	Par	Book Value*	Prem/(Disc)*	Amort/(Accr)	(Interest)	(Gain) / Loss	Settlement
Amort/(Accr)	2,112	\$ -	\$ (6,189,662)	\$ -	\$ 6,189,662	\$ -	\$ -	\$ -
Final Sale	100	(3,612,524,000)	(3,608,773,560)	3,750,440	-	(2,157,764)	134,040	3,610,806,770
Interest	48	-	6,219,205	-	(8,954,633)	(9,574,134)	-	12,309,562
Matured	4,799	(180,684,017,701)	(180,614,494,202)	1,336,610	-	(101,278,278)	-	180,715,772,480
Partial Sale	178	(982,957,000)	(980,666,888)	2,290,112	-	(1,862,635)	134,051	982,395,475
Purchased	4,931	189,627,626,000	189,382,149,231	(245,476,769)	-	-	-	(189,382,149,231)
Grand Total	12,168	\$ 4,348,127,299	\$ 4,178,244,125	\$ (238,099,606)	\$ (2,764,971)	\$ (114,872,811)	\$ 268,091	\$ (4,060,864,945)

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Metropolitan Transportation Authority

Dear Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of the business-type activities of the Metropolitan Transportation Authority (the "Authority"), a component unit of the State of New York, which comprise the statement of net position as of December 31, 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 31, 2023, which expresses an unmodified opinion on those consolidated financial statements and includes an emphasis-of-matter paragraph regarding the Authority requires significant subsidies from other governmental entities.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the Authority's Investment Guidelines, the New York State ("NYS") Comptroller's Investment Guidelines, Section 2925 of the NYS Public Authorities Law, or Section 201.3 of the NYS Public Authorities Law (collectively, the "Investment Guidelines"), insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the Investment Guidelines, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of directors and management of the Authority, and the Office of the New York State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

May 31, 2023

MTA ALL AGENCY
INVESTMENT GUIDELINES
Operating and Capital Program Funds

WHEREAS the Treasury Department of the Metropolitan Transportation Authority manages the investment of the operating and capital program funds of the Metropolitan Transportation Authority (MTA), The Long Island Rail Road Company (LIRR), the Metro North Commuter Railroad Company (MN), the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA), the Metropolitan Suburban Bus Authority (MSBA), the New York City Transit Authority (NYCTA), the Staten Island Rapid Transit Authority (SIRTOA), the MTA Bus Company, and the Triborough Bridge and Tunnel Authority (TBTA) (collectively the related entities), and

WHEREAS the investment of funds are regulated by the New York State Public Authorities Law, the State Comptroller's Investment Guidelines for Public Authorities, and in accordance with the Bond Resolutions of the MTA and TBTA ,

BE IT RESOLVED, that the following investment guidelines be adopted by the related entities.

I. GENERAL GUIDELINES

1. The MTA Treasury Department (Treasury) shall be responsible for the execution and management of all operating and capital program investment activity for each of the related entities. The Treasury Department will report to the Chief Financial Officer. The following guidelines do not apply to investments of MTA First Mutual Transportation Assurance Corporation, MTA's Defined Benefit Pension Plan, the MaBSTOA Pension Plan, the MTA Retiree Welfare Benefits Trust or to accounts established to hold employee and employer contributions under the New York State Voluntary Defined Contribution Program – these funds are subject to separately established guidelines. All investment decisions will meet the following requirements:
 - a. Safeguard the Investment Principal.
 - b. Meet expected cash flow requirements.
 - c. Maximize yield.
2. Federal Statutory Requirements, New York State Statutory Requirements, and Bond Resolutions of the related entities supercede these guidelines.
 - a. Federal Statutory requirements include compliance with any existing or future statute or administrative ruling that may affect the tax-exempt status of related entities' debt.
 - b. New York State statutory requirements include, but are not limited, to the following sections:
 - i. Public Authorities Law Sections 1265(4) (MTA), 1204(19) (Transit Authority) and 553(21) (TBTA)
 - ii. Public Authorities Law Section 2925 Investment of funds by public authorities and public benefit corporations; general provisions
 - iii. State Finance Law Article 15 – EXCELSIOR LINKED DEPOSIT ACT
3. Authorized Investment Obligations will be limited to the following:
 - a. obligations of the state or the United States government,
 - b. obligations the principal and interest of which are guaranteed by the state or the United States government,
 - c. certificates of deposit of banks or trust companies in this state, secured, if the authority shall so require, by obligations of the United States or of the state of New York of a market value equal at all times to the amount of the deposit,
 - d. banker's acceptances with a maturity of ninety days or less which are eligible for purchase by the federal reserve banks and whose rating at the time of purchase is in the highest rating category of two nationally recognized independent rating agencies, provided, however, that the amount of banker's acceptances of any one bank shall not exceed five hundred million dollars,

- e. obligations of any bank or corporation created under the laws of either the United States or any state of the United States maturing within two hundred seventy days, provided that such obligations receive the highest rating category of two nationally recognized independent rating agencies such as, A1 from Standard and Poor's, P1 from Moody's and F1+ from Fitch Ratings, provided further, that no more than five hundred million dollars may be invested in such obligations of any one bank or corporation,
- f. as to any such moneys held in reserve and sinking funds, other securities in which the trustee or trustees of any public retirement system or pension fund has the power to invest the monies thereof pursuant to article four a of the retirement and social security law, each such reserve and sinking fund being treated as a separate fund for the purposes of article four a of the retirement and social security law,
- g. notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States postal service, the federal national mortgage association, the federal home loan mortgage corporation, the student loan marketing association, the federal farm credit system, or any other United States government sponsored agency, provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, the highest rating of all independent rating agencies that rate such agency or its obligations, provided, however, that no more than five hundred million dollars or such greater amount as may be authorized for investment for the state comptroller by section ninety-three of the state finance law may be invested in the obligations of any one agency,
- h. general obligation bonds and notes of any state other than the state, provided that such bonds and notes receive the highest rating of at least one independent rating agency, and bonds and notes of any county, town, city, village, fire district or school district of the state, provided that such bonds and notes receive either of the two highest ratings of at least two independent rating agencies,
- i. mutual funds registered with the United States securities and exchange commission whose investments are limited to obligations of the state described in paragraph (a) of this subdivision, obligations the principal and interest of which are guaranteed by the state described in paragraph (b) of this subdivision, and those securities described in paragraph (h) of this subdivision and that have received the highest rating of at least one independent rating agency, provided that the aggregate amount invested at any one time in all such mutual funds shall not exceed ten million dollars, and, provided further, that the authority shall not invest such funds, accounts or other monies in any mutual fund for longer than thirty days,
- j. financial contracts in a foreign currency entered into for the purpose of minimizing the foreign currency exchange risk of the purchase price of a contract with a vendor chosen through competitive process for the acquisition of capital assets for the benefit of the capital program of the Triborough

Bridge and Tunnel Authority or either the transit or transportation capital programs, and

- k. repurchase agreements with any dealer or bank, which agreement is secured by any one or more of the securities described in clauses (a), (b) or (g) above, which securities shall (A) at all times have a market value of not less than the full amount held or invested pursuant to the agreement and (B) be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian, that is independent from the dealer or bank with whom the repurchase agreement is executed.
4. Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provision of law, or domestic branch or agency of a foreign bank which branch or agency is fully licensed or authorized to do business under the laws of any state or territory of the United States of America.
 5. Trading Authorization – The board delegates to the Chairman the power to authorize certain individuals to buy and sell securities and enter into investment agreements on behalf of the related entities. The trading authorization will take the form of attachment A to these guidelines.
 6. Investment Limitations – All dollar limitations for investment will be based on the original cost of the investment including accrued interest purchased at the time of investment.

II. CUSTODIAN

1. All Investment Obligations and collateral is to be held by a custodian who is not a party to the Investment Obligation.
2. A custodian must meet one of the following three criteria:
 - a. A bank as the term is defined in either clauses (i) or (ii) in section I.4 of these guidelines, and which the MTA Board has adopted a resolution establishing the bank as a depository of the MTA or any of its related entities.
 - b. A bank appointed as a trustee under a specific MTA board resolution.
 - c. A bank designated as a trustee by an authorized officer who has been delegated the authority by the MTA Board to appoint a custodian as part of a specific transaction.
3. Each bank acting as a custodian, except for a custodian established for a specific transaction, must have the following capabilities;
 - a. Daily electronic reporting of all investment and cash activity,
 - b. Acceptance of electronic instructions to buy, sell, deliver or receive securities,
 - c. Acceptance of electronic instructions to transfer funds, and
 - d. Electronic Access to current Investment Inventory position statements.
4. The Treasury Department will maintain at least \$100 million of its portfolio (subject to cash flow requirements) with a separate emergency custodian bank. The purpose of this deposit is in the event that the MTA's main custodian cannot execute transactions due to an emergency outside of the custodian's control, the MTA has an immediate alternate source of liquidity. Securities held in the separate emergency custodian bank are subject to the following conditions;
 - a. The securities will be included in the MTA portfolio, and
 - b. All security activity in the emergency custodian bank will be governed by these guidelines.

III. REPURCHASE AGREEMENTS

1. An executed Master Repurchase Agreement, approved as to form by the MTA General Counsel, must be executed between the dealer or bank and the MTA. The Director of Treasury is authorized to execute the agreement on behalf of the related entities.
 - a. A dealer must be listed on the "LIST OF THE GOVERNMENT SECURITIES DEALERS REPORTING TO THE MARKET REPORTS DIVISION OF THE FEDERAL RESERVE BANK OF NEW YORK", published by the Federal Reserve Bank of New York.
 - b. Agreements currently signed with firms meeting the requirements contained in the current Investment Guidelines will remain in effect.
2. The market value of the collateral must at all times be not less than the principal amount of the repurchase agreement plus the accrued interest of the repurchase agreement. MTA Treasury will use as its primary source its mark-to-market report based upon the prior day closing prices.
 - a. A mark-to-market of the collateral will be done each morning. The market value will include the accrued interest on the collateral securities.
 - b. For repurchase agreements having a term of more than 1 business day, if the market value of the collateral is less than 102%, rounded to the nearest 1%, additional collateral must be delivered to the MTA's custodian.
 - c. For the purpose of the mark-to-market calculation, the market value for all repurchase agreements with any one dealer, having a maturity of more than 1 business day, may be aggregated against the total collateral requirement for all of the repurchase agreements, having a maturity of more than 1 business day, with the one dealer.
 - d. The Treasury Department may waive the requirement for additional collateral if the amount of additional collateral is less than \$100,000.00 and the market value, as determined in the daily mark to market referred to in subsection (a) of this section, of the collateral held by the MTA's custodian is greater than the sum of the principal amount of the repurchase agreement plus the accrued interest of the repurchase agreement.
 - e. On the purchase date, which is the date on which the repurchase agreement is entered into, the Treasury Department will test a minimum of 20% of the repurchase agreements to ensure that the collateral being delivered is sufficient for the repurchase agreement.
 - f. For overnight, including weekends and holidays, repurchase agreements, the Treasury Department will be responsible for monitoring dealer performance and will take corrective action with regard to chronic problems. Such corrective action will consist of notifying in writing the dealer who has developed a pattern of not providing adequate collateral. If the problem

persists, the Treasury Department will discontinue doing business with the dealer.

- g. For repurchase agreements longer than overnight, including weekends and holidays, the Treasury Department will contact any under collateralized dealer and require additional collateral or the return of cash as required in the written repurchase agreement. Request for additional collateral should be made by 10:00AM.
- i. In the event of a dispute, a revised mark-to-market report may be used based upon current day pricing provided by a 3rd party, such as Bloomberg LLP. Documentation for such a revised report will consist of a screen pricing out of each collateral security at the current bid price plus the accrued interest on the collateral security.

Nothing in these guidelines prohibit entering into 3rd party repurchase agreements if the custodian meets the above criteria and all segregation requirements for the MTA funds are maintained.

- 3. Dealer limits for repurchase agreements are to be determined by a tier level based on a firm's capital.
 - a. The tier levels are:
 - 1st Tier \$1,000.0 million or more in capital
 - 2nd Tier \$200.0 to \$999.9 million in capital
 - 3rd Tier Less than \$200.0 million in capital
 - b. Capital will be defined as the sum of the firm's equity plus subordinated long-term debt. If the dealer is a wholly owned subsidiary of another dealer, and is included in a consolidated balance sheet of the parent broker, the parent's capital will be the basis for determining the capitalization. If the parent organization is not primarily a dealer/broker type of firm, but does have a major portion of its revenues generated by other than security type transactions, the parent's capital will not be included. This would exclude firms owned by insurance companies, and other non security investment institutions. Only audited financial statements will be used for determining the firm's capital.
 - i. Capital for a bank or dealer owned by a bank shall mean the bank's equity only.
 - ii. The capital of those holding companies which are foreign based cannot be applied for the purpose of determining capitalization except and unless the holding company has provided an unconditional guarantee in writing and any necessary supporting documents in a form acceptable to the MTA General Counsel against any losses incurred as a result of the domestic subsidiary being unable to fulfill its Contractual Obligations with the MTA.
 - iii. Only audited financial statements will be used for determining a firm's capital.

- c. The total maximum exposure for repurchase agreements to any Dealer/Banks will be limited by Tier as follows for any one day:
 - 1st Tier \$300.0 million
 - 2nd Tier \$250.0 million
 - 3rd Tier amount of firm's capital

- 4. Investment in repurchase agreements will be further governed by the following operational requirements:
 - a. The Treasury Department will maintain a record of the results of its monitoring of overnight repurchase agreement collateral for each dealer.
 - b. All repurchase agreements shall be in the form of cash versus delivery.
 - c. The MTA Treasury Department will determine the final maturity of repurchase agreements based upon cash needs of the Authority.
 - d. A minimum of three solicitations will be made prior to the awarding of any repurchase agreement. The award of the investment will be made in order of the highest yields, and in accordance with the exposure constraints established in Section III.3. A written record of the quotes received and awards made will be maintained by the Treasury Department.

IV. SECURITY PURCHASES AND SALES

1. The direct purchase of investment obligations securities covers the purchase of securities listed in sections I.3.a, b, d, e, g and h above.
2. All securities will be delivered to a designated MTA Custodian against cash payment. Delivery instructions will be sent to the MTA Custodian electronically or via telecopied letter signed by an authorized signer
3. A minimum of three (3) bids or offers will be solicited for direct purchases or sales of securities. The award will be based on lowest cost for purchases or highest price for sales. A written record of the quotes received will be maintained by the Treasury Department.
4. Nothing in this section prohibits the use of electronic trading screens, provided that the requirements of III.2 and III.3 are met.
5. The authority may participate directly in US Treasury government security auctions. This participation takes the form of placing an order through one of the dealers listed on the "LIST OF THE GOVERNMENT SECURITIES DEALERS REPORTING TO THE MARKET REPORTS DIVISION OF THE FEDERAL RESERVE BANK OF NEW YORK", published by the Federal Reserve Bank of New York. The award of securities is determined by the results of the auction process, and is based on the rates received and the amount of securities offered for sale. The pricing results of the auction are published, and such published notices will be included in the record of the trade.

V. REPORTING REQUIREMENTS

1. The Treasury Department will prepare reports as scheduled by the Finance Committee's work plan, investment reports covering the investment activity of all MTA Treasury Department funds. These reports will contain a detailed listing of all broker activity for the period. A listing of dealers with whom the MTA does repurchase agreements including limits set for each broker, will also be included.
2. An annual investment report shall be submitted to the Finance Committee consisting of the following:
 - a. Investment Guidelines and amendments to those guidelines since the last report, and an explanation of the guidelines and amendments.
 - b. Investment income for the year.
 - c. List of total fees, commissions or other charges paid to each investment banker, broker, agent, dealer, custodian bank and adviser rendering investment associated services to the MTA.

Following receipt of approval of the Board, copies of the annual report shall be submitted to:

1. State Division of the Budget
2. State Department of Audit and Control
3. State Senate Finance Committee
4. Assembly Ways and Means Committee
5. Independent Authority Budget Office

VI. PORTFOLIO MANAGERS

1. Due to the various portfolio requirements of the MTA, it may be advantageous to structure a specific portfolio and contract with outside portfolio managers for the management of these funds. The awarding of a portfolio management contract will be controlled by the MTA's procurement policy covering personal services contracts. The criteria for awarding these contracts will include, but not limited by, the following provisions:
 - a. Experience of the portfolio manager.
 - b. Concepts and ideas for the management of the funds, including the identification of an appropriate benchmark for the portfolio.
 - c. The ability to provide regular and timely reports, consistent with internal reporting requirements of the MTA All Agency Investment Guidelines.
 - d. Fees.
 - e. Capitalization and financial strength of the firm.

2. Each portfolio manager will be required to operate within the structure of these guidelines except for the reporting requirement of competition with regards to the purchase and sale of securities. This exception is made because it would be impossible to monitor compliance. In addition, an outside manager would also have to comply with the following:
 - a. All transactions will be made from an MTA controlled Custody Account on a cash vs. delivery basis.
 - b. All Bank Statements and Broker advices will be mailed to the Comptroller for the MTA.
 - c. The MTA will designate to the custodian the representatives of the portfolio manager authorized to conduct business on behalf of the MTA.

VII. MISCELLANEOUS

The following guidelines will also be adhered to with regard to the investment of MTA Operating and Capital Program Funds.

1. AUTHORIZATION The Chairman, or any person or persons who may from time to time be designated in writing by the Chairman, may purchase or sell securities and/or enter into repurchase agreements for the MTA and its related entities.
2. BANK RECONCILIATIONS All bank confirmations and statements will be addressed to the Comptroller. The Comptroller will be responsible for all investment custody account reconciliations.
3. INDEPENDENT AUDITOR. The MTA's independent auditor will include as part of its annual audit a statement on the compliance of the investment activity with these investment guidelines.
4. CONFLICTS OF INTEREST. MTA's policy regarding conflicts of interest shall be followed regarding the investment of funds. Business may not be transacted with any institution or dealer of which an MTA Board Member, senior agency official, or any other officer or employee authorized to participate in the selection of such institution or dealer is an officer, a director or a substantial stockholder.
5. BROKER ADVICES. All broker advices will be mailed to the Treasury Department for safekeeping. All broker advices will be made available by the Treasury Department to the Comptroller and Audit Department as requested.
6. STOCK TRANSACTIONS. Due to the reorganization of mutual insurance firms into stock firms, the MTA and its related entities receive stock in reorganized corporations. The Chairman, or any person or persons who may from time to time be designated in writing by Chairman, may sell this stock for the MTA and its related entities.
 - a. If the corporation has a stock buy back plan that will purchase the stock, the stock will be sold using the plan.
 - b. If the corporation does not have a stock buy bank plan, the Treasury Department will solicit commission fee bids from at least 3 members of the MTA's senior underwriting management firms. The firm with the smallest commission will be awarded the sale trade. In case of a tie, the trade may be divided among the firms with the same commission fee bid.
 - c. Proceeds from the sale of the stock will be distributed back to the related entities in proportion to the shares of securities and/or enter into repurchase agreements originally owned by each of the related entities.