



Financial Services Audit Committee Communication

Date: February 26, 2021

To: Great Lakes Water Authority Audit Committee

From: Deirdre Henry, Treasury Manager

Re: Qualified Financial Institutions

Background: One of the ways that a public entity manages risk is to actively monitor and evaluate each financial institution and broker/dealer for credit worthiness with whom it may conduct business for managing public funds. This approach is in alignment with the Great Lakes Water Authority (GLWA) Investment Policy and Michigan Public Act 20. As stated in section 9 of the GLWA Investment Policy, the Treasury Manager shall maintain a listing of Qualified Institutions that provide banking and investment services to GLWA. This list shall be reviewed and approved periodically by the GLWA Audit Committee.

Analysis: GLWA has maintained consistent relationships with the institutions listed on the Qualified list since 2016. The Treasury Manager conducts a quarterly review of each institution. The latest quarterly review was completed in January 2021 based on information as of September 30, 2020 which is most current and complete data set.

For Broker/Dealers, the following documents were reviewed:

- Audited financial statements
- Financial Industry Regulatory Authority (FINRA) registration
- Registration with the Michigan Department of Licensing and Regulatory Affairs (LARA)
- Federal Deposit Insurance Corporation (FDIC) insurance coverage
- Bank ratings service provider reports

For Financial Institutions, the following documents were reviewed:

- Audited financial statements
- Registration with the Michigan Department of Licensing and Regulatory Affairs (LARA)
- FDIC insurance coverage
- Bank ratings service provider reports

For the Local Government Investment Pools:

- Information Statement which explains the investment objectives of the investment pool
- Audited financial statements for investment pool
- Audited financial statements for investment advisor
- Credit rating

PFM Asset Management LLC (PFM), the Investment Advisor for GLWA, annually provides a list of their approved broker/dealers. This list has been evaluated for credit worthiness by PFM. Reliance on the investment advisor's analysis of qualified institutions is provided for in the GLWA investment policy.

Based upon the above analysis, attached is the GLWA list of qualified financial institutions, PFM's qualified broker/dealer list, and a summary of the qualified financial institution review.

Proposed Action: Receive and file this report.

Great Lakes Water Authority Qualified Financial Institutions Review

Name	Relationship Established	Bal as of 9/30/2020
Financial Institutions		
Comerica Bank	Jan 2016	\$ 5,250,773
Fifth Third Bank (custodian for MILAF funds managed by PFM)	Jul 2017	-
First Independence Bank	Jan 2016	16,589,708
J.P. Morgan Chase	Jan 2016	25,005,432
TCF Bank (Chemical Bank)	-	-
U.S. Bank - Trustee (includes funds managed by PFM)	Jan 2016	787,582,503
Broker / Dealers		
Comerica Securities Corporation	-	-
Fifth Third Securities	-	-
J.P. Morgan Securities	Jun 2017	19,129,510
U.S. Bancorp Investments	-	-
Local Government Investment Pool		
Michigan Liquid Asset Fund Plus (MILAF)	Nov 2016	36,543,173
Total		\$ 890,101,099

Note: GLWA Treasury team interacts directly with these organizations

PFM Asset Management LLC
Approved Broker/Dealer List
Second Quarter 2020

‡ Academy Securities Inc.	Jane Street Execution Services LLC
* Amherst Pierpont Securities LLC	* Jefferies LLC
‡ Bancroft Capital LLC	* J.P. Morgan Securities LLC
* Barclays Capital Inc.	Keybank Capital Markets
BB&T Capital Markets	† Loop Capital Markets LLC
† Blaylock Robert Van LLC	Lloyds Securities Inc.
* BMO Capital Markets Corp.	MarketAxess Corporation
* BNP Paribas Securities Corp.	Mitsubishi UFJ Securities (USA), Inc.
BNY Capital Markets LLC	* Mizuho Securities USA Inc.
* BofA Securities, Inc.	* Morgan Stanley & Co. LLC
† Cabrera Capital Markets LLC	* NatWest Markets Securities Inc.
* Cantor Fitzgerald & Co.	* Nomura Securities International, Inc.
† CastleOak Securities	Performance Trust Capital Partners, LLC
* Citigroup Global Markets Inc.	Piper Jaffray & Company
† C.L. King & Associates, Inc.	PNC Capital Markets LLC
Commerz Markets LLC	* RBC Capital Markets, LLC
Credit Agricole Securities (USA), Inc.	Robert W. Baird & Co.
* Credit Suisse Securities (USA) LLC	‡ Roberts & Ryan Investments, Inc.
* Daiwa Capital Markets America Inc.	Scotia Capital (USA), Inc.
* Deutsche Bank Securities Inc.	* SG Americas Securities LLC
‡ Drexel Hamilton LLC	† Siebert Williams Shank & Co LLC
Fifth Third Securities, Inc.	SMBC Nikko Securities America Inc
FTN Financial	Stifel, Nicolaus & Company, Incorporated
* Goldman Sachs & Co. LLC	SunTrust Robinson Humphrey, Inc.
Guggenheim Securities, LLC	Susquehanna Financial Group, LP
Hilltop Securities Inc.	* TD Securities (USA) LLC
* HSBC Securities (USA) Inc.	Tradition Asiel Securities, Inc.
ICAP Corporates, LLC	* UBS Securities LLC
ING Financial Markets, LLC	U.S. Bancorp Investments, Inc.
INTL FCStone Partners L.P.	Vining Sparks IBG, L.P.
Incapital LLC	* Wells Fargo Securities, LLC

* *Primary Government Securities Dealer*

† *Minority or woman owned business enterprise*

‡ *Service Disabled-Veteran Owned*

Note: Direct issuers of CP and CDs are considered to be approved counterparties if approved as an issuer.

Important Disclosures

This list is current as of the effective date only and is subject to change without notice. This list is for informational purposes only, and may not be relied upon for any other purpose. The list does not imply counterparty approval for derivatives of any type. This information is confidential and may not be distributed without prior written consent of PFM Asset Management LLC.

Great Lakes Water Authority
Financial Institutions / Brokers / Investment Funds
Qualified Institutions Review Matrix as of September 30, 2020

Bank Name	Broker/Dealer Name	Investment Funds	FDIC Insured	FINRA Registered	Approved to do business in MI	Audited Financial Statements	Rating	Bauer Financial Rating	Robinson Capital Rating
Comerica	Comerica Securities ^(a)	-	Yes	Yes	Yes	Yes	Moody's - A3	5 Stars	A-
Fifth Third Bank	Fifth Third Securities ^(a)	-	Yes	Yes	Yes	Yes	Moody's - A3	5 Stars	A-
First Independence Bank	-	-	Yes	n/a1	Yes	Yes	n/a1	4 Stars	B
JPMorgan Chase	JPMorgan Securities LLC	-	Yes	Yes	Yes	Yes	Moody's - A2	5 Stars	B+
U.S. Bank	U.S. Bancorp Investments Inc ^(a)	-	Yes	Yes	Yes	Yes	Moody's - Baa1	4 Stars	B+
TCF Bank (Chemical Bank)	-	-	Yes	n/a1	Yes	Yes	n/a1	4 Stars	B+
-	-	MILAF	n/a2	n/a2	n/a2	Yes	S&P - AAAm	n/a2	n/a2

^(a) Currently, GLWA is only utilizing the bank for depository services and has not opened accounts with the broker.

n/a1 These entities are not broker/dealers and are not registered with FINRA and may not be rated by Moodys.

n/a2 Not Applicable for Investment Funds

FDIC The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the U. S. government that protects the funds deposited in banks and savings associations. FDIC insurance is backed by the full faith and credit of the U.S. government. FDIC insurance covers all deposit accounts, including checking accounts, savings accounts, money market deposit accounts, and certificates of deposits. It does not cover other financial products and services that banks may offer, such as stocks, bonds, mutual funds, life insurance policies, annuities or securities.

FINRA The Financial Industry Regulatory Authority (FINRA) resulted from the merger of the New York Stock Exchange's regulatory committee and the National Association of Securities Dealers (NASD). FINRA's mission is to safeguard the investing public against fraud and bad practices by enforcing rules and regulations for every broker/dealer and monitoring compliance to FINRA rules as well as federal securities laws and rules of the Municipal Securities Rulemaking Board. Only entities that are broker/dealers need to be registered with FINRA.

Moody's / S&P Rating Moody's Investors Service and Standard & Poors are leading global providers of credit ratings, research, and risk analysis.

Bauer Financial Rating Bauer Financial is an independent bank research firm that is a source for unbiased, independent bank and credit union ratings. They have been analyzing and reporting on the financial condition of the nation's banking industry since 1983. Independent analysis is performed on the raw data as reported to federal regulators and supplemented with historical and other data to assign ratings.

Robinson Capital Rating Founded in December 2012, Robinson Capital is an independent investment advisor who offers banking research to Michigan based counties, cities, townships and school districts. Credit scores are assigned using a number of data sources and approaches. Credit scores are based on analysis of creditworthiness, taking into account the risk of default for each entity. For each bank, Robinson starts with the traditional financial statement analysis to calculate a base credit score, similar to most banking research offerings. In addition, they consider a number of other factors that enhance detection of instability, including; size, diversity of loans, geographic region, and financial data trends.