

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Approval of Brokerage Firm
Date: November 4, 2002

Recommended Actions:

1. Recommend that the Board approve the addition of Banc of America Securities LLC for general brokerage services to the Board's list of authorized brokerage firms.
 2. Recommend that the Board authorize the Executive Director to execute agreements authorizing the Regent institutions to use Banc of America Securities LLC for brokerage services.
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Executive Summary:

Board Policy The Board's investment policy requires that brokerage firms be approved by the Banking Committee and the Board before Regent institutions are permitted to use their services.

Once the Board approves a brokerage firm, it is approved for all Regent institutions. Board approval does not compel, but rather, permits an institution to do business with a brokerage firm.

Banc of America Securities LLC, has requested inclusion on the Board's approved list of securities brokers. Banc of America Securities LLC, a subsidiary of Bank of America Corporation, has had primary dealer status for nine years with assets of \$53.3 million and \$1.5 billion in net capital as of December 31, 2001. Banc of America Securities specializes in taxable securities, specifically government and agency debt.

The application from Banc of America Securities was reviewed by the university treasurers and is recommended for approval.

Approved Brokers In September 2002, the Board approved changes to the brokerage list. The current list of brokers includes:

- A. G. Edwards & Sons, Inc.
 - Dain Rauscher
 - Kirkpatrick, Pettis, Smith, and Polian, Inc.
 - Salomon Smith Barney
 - US Bancorp Piper Jaffray, Inc.
 - Wells Fargo Brokerage Services
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Strategic Plan: The Board's strategic plan, Key Result Area 4, requires the Board to exercise effective stewardship of institutional resources to maintain the confidence and support of the public in the utilization of existing financial resources.

Background:

Regent Policy Manual The Board's investment policy as stated in the Regent Policy Manual requires that brokerage firms be approved by the Banking Committee and the Board before Regent institutions are permitted to use their services.

The institutions shall regularly solicit competitive bids from two or more brokers before executing transactions, and shall require that the brokers provide confirmation of trades to the treasurers except in the following circumstances:

- a. The security is a new offering of direct obligations of the U.S. government or agencies of the U.S. government.
- b. The security is maturing within 270 days from the purchase date.
- c. It is deemed in the best interest of the institution and is approved in writing by the Treasurer or Vice President for Finance, i.e. where timing or placement is a concern and additional solicitation would likely have a detrimental effect or loss of opportunity.

Selection Criteria Selection criteria were developed in 1989 to reflect the Board's desire to conduct business with a select group of brokerage firms that have sufficient staffing and collateral to effectively execute institutional investment transactions.

The selection criteria include:

- Quality of execution rendered;
- Value of research information provided;
- Financial health of the brokerage firm;
- General business integrity of the firm;
- Cost of services and overall efficiency in transacting business; and
- Presence in Iowa.

Once a brokerage firm is approved, the broker is approved for all Regent institutions. Board approval does not compel, but rather, permits an institution to do business with a brokerage firm.

Analysis

Banc of America Securities LLC, an affiliate of Bank of America, is headquartered in Charlotte, North Carolina; with six offices in the United States and one in London, England. The Regent institutions would be serviced from the St. Louis, Missouri, location with management of the overall relationship with Bank of America Corporation handled from the main office of Bank of America in Des Moines, Iowa. Bank of America has over \$600 billion in assets and offices in 30 countries.

Banc of America Securities LLC, a subsidiary of Bank of America Corporation, has had primary dealer status for nine years with assets of \$53.3 million and \$1.5 billion in net capital as of December 31, 2001. Banc of America Securities specializes in taxable securities, specifically government and agency debt.

Banc of America Securities LLC, states that it has a proven record of serving public agencies as well as a strong capital base, substantial lines of credit, reputation in the industry, and powerful analytic tools. Banc of America Securities, provides individual counseling with institutions on portfolio management and timely notification of market developments.

The application submitted by the firm has been reviewed by the Regent university treasury personnel who have recommended approval based on meeting the Board's criteria for the selection of brokerage firms.

The application and supporting materials submitted by this firm are available for review in the Board Office.

Board of Regents State of Iowa

11260 Aurora Avenue Urbandale, Iowa 50322-7905

Gregory S. Nichols
Executive Director

Telephone: (515) 281-3934 Fax: (515) 281-6420
Website: www.state.ia.us/educate/regents

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CERTIFICATE OF AUTHORIZED PERSONS

To: Bank of America, N.A.
 GSO – Safekeeping Department
 Pledging Unit NC1-004-03-06
 200 N. College Street
 Charlotte, NC 28255

I, Gregory S. Nichols, Executive Director of the Board of Regents, State of Iowa, do hereby certify that I am authorized to make and deliver this certification and that each Regent institution named below has been duly authorized to deliver oral and written [pledge] instructions concerning all security transactions on behalf of the Board of Regents, State of Iowa, and is authorized to sign the Letter of Agreement on Brokerage Services with Bank of America. You are authorized to act upon such instructions from authorized representatives of each of the following Regent institutions.

University of Iowa
Iowa State University
University of Northern Iowa
Iowa School for the Deaf
Iowa Braille and Sight Saving School

Gregory S. Nichols
Executive Director

Date

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