

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Modification of Brokerage Services
Date: September 9, 2002

Recommended Action:

Recommend the Board approve the changes to the list of brokers as detailed on page 3.

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.

Proposed Revisions The current list of approved brokers includes 15 brokerage firms. The universities have reported name changes to three firms and have requested that nine firms be deleted from the list. The revised list would include six brokerage firms.

Name Changes The universities have reported name changes for three of the approved general brokerage services as shown below:

<u>From:</u>	<u>To:</u>
Dain Bosworth	Dain Rauscher
Norwest Investment Services, Inc.	Wells Fargo Brokerage Services
Piper Jaffray & Hopwood	US Bancorp Piper Jaffray, Inc.

Proposed Deletions As of September 2002, the universities have no signed agreements with the following nine firms and have requested that the names be deleted from the approved list.

American National Bank
 Boatmen's Bank Iowa, N.A.
 Dougherty, Dawkins, Strand & Bigelow, Inc.
 FBS Investment Services, Inc.
 Firststar Bank Cedar Rapids, N.A.
 Lehman Brothers
 Principal/Eppler, Guerin & Turner, Inc.
 Securities Corporation of Iowa
 Vining-Sparks IBG, LP

Background:

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.

Regent Policy
Manual

The Board's investment policy as stated in Section 7.34(C)(8) of 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 universities have agreements with investment brokers to provide brokerage services. The agreements require each university to provide certification of appointment as broker.

The institutions shall regularly solicit competitive bids from two or more brokers before executing transactions, and shall require that the brokers provide confirmations 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; and
- Cost of services and overall efficiency in transacting business.

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.

Proposed Changes: The proposed changes to the approved list to provide general brokerage services to the universities are as follows:

- A. G. Edwards & Sons, Inc.
- ~~American National Bank~~
- ~~Boatmen's Bank Iowa, N.A.~~
- ~~Dain Besworth Rauscher~~
- ~~Dougherty, Dawkins, Strand & Bigelow, Inc.~~
- ~~FBS Investment Services, Inc.~~
- ~~Firststar Bank Cedar Rapids, N.A.~~
- Kirkpatrick, Pettis, Smith, and Polian, Inc.
- ~~Lehman Brothers~~
- ~~Norwest Investment Services, Inc.~~ Wells Fargo Brokerage Services
- ~~Piper Jaffray & Hopwood~~ US Bancorp Piper Jaffray, Inc.
- ~~Principal/Eppler, Guerin & Turner, Inc.~~
- Salomon Smith Barney
- ~~Securities Corporation of Iowa~~
- ~~Vining Sparks IBG, LP~~