



pfm SLGS Final Action Summary

Overview

The Treasury Department’s Bureau of the Fiscal Service (Treasury) has released a final rule that amends the regulations governing State and Local Government Series (SLGS) securities and becomes effective on **August 26, 2024**.¹ The amendments are designed to prevent using the SLGS program as a cost-free option and therefore focus on time deposit (fixed rate) SLGS securities. The Treasury was specifically concerned with tax-advantaged issuers (issuers) buying SLGS securities with maturities longer than needed and subsequently liquidating them prior to maturity to capture a redemption premium.¹

Notable Rule Updates

The following is a summary to help you understand the key provisions that impact typical investments in SLGS securities. We recommend that you consult with your legal and financial advisors prior to making any bond proceeds investment decisions.

New Restriction on Maturity Dates

Issuers must now certify that the length of the maturity of a SLGS security being purchased is no longer than reasonably necessary for the underlying governmental purpose of the investment.¹

Minimum 14-Day Holding Period for a Time Deposit Security Before Requesting a Redemption

New Rule	Old Rule
Early redemption requests cannot be entered until 14 days after the issue date	Early redemption requests could be made the day after issuance

Specifying the Maturity of Time Deposit Securities at Issuance

New Rule	Old Rule
Issuers must provide maturity dates when the subscription is submitted	Issuers must provide maturity dates prior to settlement

The Treasury introduced limitations on adjustments to the maturities of Time Deposit securities between the initial subscription date and settlement date as follows:¹

- **Certificate of indebtedness** - SLGS security with a maturity of one year or less.
 - Permitted adjustment: ± 30 days
- **Note** - SLGS security with a maturity of more than one year but no more than ten years.
 - Permitted adjustment: ± 6 months
- **Bond** - SLGS security with a maturity of more than ten years.
 - Permitted adjustment: ± 1 year

Issuers must choose a maturity date for each SLGS security that aligns with its governmental purpose (defined as “the issuer’s expected use of invested funds”).¹ We believe that investing in fixed-rate SLGS



securities for a current refunding (30 to 90 days) clearly does not constitute an investment that is longer than necessary. The investment will be held to maturity such that there is no potential abuse of the program by liquidating the security early for a potential redemption premium. Please be sure to seek the advice of your legal team when choosing the maturity date(s) for any SLGS securities you intend to purchase.

Changing Principal Amounts on Time Deposit Securities

New Rule	Old Rule
Changes to principal amounts are limited to 10% for each individual security	Subscription size could be changed by up to 10% in aggregate with no individual security limitations

Specific information for each Time Deposit security must now be provided by issuers when completing the initial subscription.

Name of Bonds

New Rule	Old Rule
Names of bonds entered into SLGSafe must match the name of the bonds in Electronic Municipal Market Access (EMMA)	No restrictions on name of bonds

The Treasury will use this information to determine if the amounts being used to purchase SLGS securities qualify as “eligible sources of funds” as defined in the SLGS regulations .

Demand Deposit SLGS Redemption

Demand Deposit SLGS securities are tax-exempt and are still a liquid investment. The new rules simply require that redemptions of more than \$500 million be submitted at least five business days before the requested redemption date.¹ The existing provisions are otherwise unchanged such that redemptions of \$10 million or less require one business day of advance notice and amounts in between \$10 million and \$500 million require three business days of advance notice. For issuers earning positive arbitrage that they cannot keep, Demand Deposit SLGS securities may be an attractive investment option subject to review with your financial advisory, arbitrage rebate compliance, and legal teams.

Learn More About Demand Deposit SLGS



Contact Us: To learn more, contact your PFM representative or go to <https://pfm.com/contact-us>.

¹ Source: [Final Rule](#). Effective August 26, 2024 by the Department of the Treasury Bureau of the Fiscal Service.

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