

Test Wires Confirm Authenticity of Wire Instructions

At the request of its clearing bank, National Financial Services (“NFS”), Roosevelt & Cross (“R&C”), one of New York’s State’s most active underwriters of municipal securities, instituted a new practice in August 2019 to help safeguard its transfer of funds to pay for the purchase of bonds and notes. This initiative was instituted by NFS to mitigate cyber security breaches that target business emails of all underwriting participants who may assist an issuer of debt in crafting a closing memo, including issuers, Bond Counsel, Municipal Advisors, Trustees, etc. that includes details of electronic funds transfers.

The new process starts the day before the closing of a bond or note issue when NFS sends the issuer of the debt a test wire from NFS’s bank, JP Morgan Chase, in a small, random dollar amount known only to NFS. Once the issuer receives the test wire, it reports its receipt of the wire and confirms the amount received back to R&C. Once the amount transferred is confirmed with NFS, R&C knows it has the appropriate account and routing information to send payment the following day. If there are multiple series of bonds, or bonds sold in conjunction with notes, NFS will send a test wire for each issue of debt. It is critical that the issuer checks before the closing and confirms receipt of the wire as failure to confirm could delay the closing of the issue and the receipt of funds by the issuer, potentially resulting in a failed closing. In addition to the test wire, R&C also obtains verbal confirmation of all wire instructions from the issuer or its municipal advisor prior to sending any funds.

This new practice is in response to incidents in which wire instructions were intercepted by third parties with the intent to steal bond and note sale proceeds. Whether the hackers are cyber criminals seeking financial gains or rogue nation states or “hactivists” looking to disrupt services, the threat to our industry is real. In a publicized incident earlier this year, closing instructions sent to an underwriter were intercepted by a hacker who replaced the issuer’s bank account information with its own. The hack was detected before any transfer of funds was compromised. CMA anticipates the use of test wires and other security countermeasures will become more prevalent in the future as threats increase.

MMD GENERAL OBLIGATION INTEREST RATES

Term	October 1, 2019					1 Month Ago - September 3, 2019					1 Year Ago - October 1, 2018				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	1.26%	1.29%	1.34%	1.35%	1.64%	1.01%	1.02%	1.06%	1.08%	1.36%	1.89%	1.90%	1.98%	2.08%	2.35%
5	1.22	1.31	1.44	1.49	1.79	1.03	1.09	1.22	1.27	1.57	2.21	2.28	2.47	2.59	2.91
10	1.41	1.55	1.67	1.71	2.03	1.22	1.34	1.46	1.5	1.82	2.58	2.75	2.92	3.05	3.40
15	1.62	1.82	1.92	1.99	2.27	1.45	1.63	1.73	1.80	2.08	2.85	3.05	3.21	3.34	3.70
20	1.82	2.02	2.12	2.19	2.47	1.65	1.83	1.93	2.00	2.28	3.09	3.29	3.43	3.58	3.92

RECENT CMA CLIENT SALE RESULTS

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Grand Island Town	BAN	\$ 22,042,000	26-Sep	12 mos.	1.35%	Jefferies LLC
Smithtown CSD	TAN	\$ 48,000,000	26-Sep	9 mos.	1.35%	Morgan Stanley & Co., LLC
Greenburgh Town	Bonds	\$ 9,065,000	24-Sep	14 yrs.	1.79%	Roosevelt & Cross, Inc.
Riverhead Town	Ref. Bonds	\$ 12,555,000	24-Sep	5 yrs.	1.39%	Janney Montgomery Scott LLC
North Hempstead Town	Bonds	\$ 16,379,057	17-Sep	30 yrs.	2.71%	Roosevelt & Cross, Inc.
Southampton UFSD	TAN	\$ 16,000,000	11-Sep	9 mos.	1.28%	Jefferies LLC
Pelham Village	BAN	\$ 3,265,100	10-Sep	12 mos.	1.34%	TD Securities (USA) LLC
Mamaroneck Town	Bonds	\$ 3,922,000	5-Sep	20 yrs.	1.94%	Roosevelt & Cross, Inc.
Elwood UFSD	Bonds	\$ 17,185,000	5-Sep	15 yrs.	1.74%	Roosevelt & Cross, Inc.
Bay Shore UFSD	TAN	\$ 35,000,000	5-Sep	9 mos.	1.23%	JP Morgan Securities, LLC