



## **POLICY 6700**

### **INVESTMENTS**

**Policy Category:** Finance and Business Services

**Area of Administrative Responsibility:** Finance

**Board of Trustees Approval Date:** March 21, 2017

**Effective Date:** March 22, 2017

**Amendment History:** Repealed October 10, 2012 version

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## **PURPOSE**

The purpose of this policy is to set general guidelines to provide a clear understanding of the investment objectives of the College's operating funds.

## **SCOPE**

This policy applies to all monies and other financial resources available for deposit and investment by the Vice President for Finance on behalf of the College.

## **POLICY**

The primary objectives of the College's investment program shall be the following:

- To comply with all applicable provisions of law;
- To safeguard the principal of all deposits and investments;
- To provide sufficient liquidity so as to ensure that all monies invested are available to meet expenditures as they come due; and
- To obtain the maximum rate of return that is consistent with the preceding objectives.

**A. Authority:**

The implementation and administration of the College's deposit and investment program, including the authority to execute any security and custody agreements required by this policy, is the responsibility of the Vice President for Finance, as authorized by the Board of Trustees. The Vice President for Finance shall establish procedures for the operation of the program consistent with this policy. Such procedures shall provide the College treasurer, or such other person so designated and other responsible subordinate employees an adequate internal control structure. The internal controls will provide a satisfactory level of accountability based on a record incorporating descriptions and amounts of deposits, interest rates and other information necessary to manage the College's portfolio and to identify the sources of all funds being invested.

**B. Internal Controls:**

The Vice President for Finance is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that such transactions are executed in accordance with proper authorization and recorded properly and, that such transactions are managed in compliance with applicable laws and regulations. All employees directly associated with the investment process shall be bonded.

**C. Prudence:**

The Vice President for Finance, College treasurer or such other person so designated with the Board's approval shall at all times act responsibly as custodians of the public trust. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their affairs, not for speculation, but for investment, considering the safety of principal as well as the income to be derived. The Vice President for Finance, College treasurer and subordinates involved in the investment process shall refrain from personal investment activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.

**D. Authorized Investments:**

Except as otherwise may be provided in this policy, monies not required for immediate expenditures may be invested in any of the following:

1. special time deposits or certificates of deposit in a bank, trust company, or national banking association (a "bank") located and authorized to do business in the State of New York;
2. obligations of the United States of America;
3. obligations guaranteed by agencies of the United States of America where the principal and interest is also guaranteed by the United States of America;
4. obligations of the State of New York; and

5. investments shall be payable or redeemable, at the option of the College treasurer or other person so designated, within such time as the proceeds shall be needed to meet expenditures for the purpose for which the monies were provided. However, investments shall not mature in excess of one year without prior Board of Trustee approval.

**E. Deposits:**

All monies collected by the College shall be timely deposited in such banks that have been authorized by the Board of Trustees.

**F. Diversification:**

Although it is the policy of the College to diversify its investment portfolio, the opportunity to diversify among types of investments is very limited because of legal constraints. Subject to these constraints, however, investments and deposits shall, to the extent practical, be diversified by financial institution, maturity, and type of investment to eliminate the risk of loss resulting from over concentration of assets in a specific bank or trading partner or a specific maturity. Unless otherwise approved by the Board of Trustees there will be a \$30,000,000 limit per financial institution.

**G. Authorized Banks and Trading Partners:**

The Vice President for Finance shall maintain a list of banks and other trading partners approved for investment purposes by the Board of Trustees. The Vice President for Finance may establish limits on the amount of investments that may be outstanding with any bank or trading partner at any time, within limits set forth in Section F of this policy. All banks and trading partners with which the College conducts business must be credit-worthy as determined by criteria established by the Board of Trustees. All banks with which the College does business shall provide their most recent Consolidated Report of Condition (Call Report) to the Vice President for Finance at his/her request. Trading partners not affiliated with a bank shall be recognized as primary dealers designated by the Federal Reserve Bank of New York. The Vice President for Finance or his/her designee is responsible for periodically evaluating the financial positions of banks and trading partners with which the College does business and, based on such evaluations, for revising the list of eligible banks and trading partners as deemed appropriate.

**H. Procedures for Securing Deposits, Special Time Deposits, and Certificates of Deposit:**

1. Monies of the College shall only be deposited or invested in a bank with which the College has entered into a written security agreement. Such security agreement shall require the bank to secure all the College deposits, in excess of the amount insured by the Federal Deposit Insurance Corporation, in the manner required by General Municipal Law (GML) Section 10 and 11:
  - a. specify which types of eligible securities authorized by Appendix A of this policy and GML Section 10 as that section may from time to time be

amended, are, in discretion of the Vice President for Finance, to be provided by the bank;

- b. prescribe the amount of collateral to be provided by the bank at any time;
- c. prescribe the manner in which the market value of the collateral shall be determined and require any adjustments to market value as required by GML Section 10;
- d. require the bank to provide additional collateral if the market value falls below the required amount of collateral;
- e. provide the collateral is being provided by the bank to secure all the College deposits in the bank, together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default;
- f. grant a security interest to the College in any securities pledge by the bank pursuant to the agreement;
- g. set forth the conditions under which the collateral may be sold, presented for payment, substituted or released;
- h. define the events if default that will enable the College to exercise its rights against said pledge securities;
- i. require that securities pledged to the College to secure deposits and not registered in the name of the College be delivered in a form suitable for transfer or with an assignment in blank to a custodial bank with which the College has entered into a written custodial agreement;
- j. provide for the valuation of collateral;
- k. require that the agreement be properly authorized by the board of directors of the bank and that the bank maintain such agreement as an official record of the bank; and
- l. contain such other provisions deemed necessary to enable the College to enforce its interest in the collateral in the event of a default by the bank.

2. Custody Agreements:

All securities pledged by a bank pursuant to a written security agreement shall be delivered to a bank (“Custodian”) which the College has entered into a written custody agreement. The custody agreement shall:

- a. specify the manner in which the custodian shall hold securities;
- b. require the custodian to hold the securities separate and apart from the general assets of the custodian and not permit them to become the backing for any other deposits or liabilities of the custodian;
- c. require the custodian to confirm in writing the receipt, substitution or release of any securities from the College’s custody account;
- d. provide for the methodology and frequency of valuation of securities held by the custodian;

- e. require the custodian to make appropriate entries on its books at all times showing the College's interest in the securities;
- f. require physical securities be kept in the custodian's vault and physically segregated from the custodian's property and other property held by the custodian;
- g. require the custodian to subordinate any claims it may have against the securities to the College's interest therein;
- h. permit the College access to books and records maintained by the custodian with respect to the College's accounts; and
- i. contain any other provisions deemed necessary and appropriate.

A bank shall not be permitted to act as custodian of any securities pledged by such bank to secure the College deposits.

#### **I. Alternatives to Collateral Requirements:**

In accordance with the provisions of General Municipal Law, Section 10:

1. An "eligible surety bond" payable to the government for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.
2. An "eligible letter of credit" payable to the College as security for the payment of 140% of the aggregate amount of deposits and the agreed upon interest, if any. An "eligible letter of credit" shall be an irrevocable letter of credit issued in favor of the College for a term not to exceed 90 days, by a qualified bank (other than the bank where the secured money is deposited). A qualified bank is either one whose commercial paper and other unsecured short-term debt obligations (or, in the case of a bank which is the principal subsidiary of a holding company, whose holding company's commercial paper and other unsecured short-term debt obligations) are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization, or one that is in compliance with applicable federal minimums risk-based capital requirements.
3. An "irrevocable letter of credit" issued in favor of the government by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, as security for the payment of 100% of the aggregate amount of deposits and the agreed upon interest, if any.
4. Savings and/or demand deposit accounts placed through a depository institution that has a main branch office in New York State and that contractually agrees to place funds in federally insured depository institutions through a deposit placement program.

**J. Purchase and Safekeeping of Investments:**

1. The Vice President for Finance shall establish operating procedures for making investments with approved banks and trading partners and revise such procedures as he/she deems appropriate from time to time.
2. In the case of investments in certificates of deposit and special time deposits, the procedure shall require the solicitation of quotations from more than one of the approved banks.
3. In the case of the purchase of obligations, the procedures shall:
  - a. Require competitive quotations, except in the purchase of governmental securities at their initial auction;
  - b. Require all purchased obligations, unless registered or inscribed the name of the College, to be purchased through, delivered to, and held in custody of a bank with which the College has entered into a written custodial agreement which complies with the requirements contained in paragraph 2 of this section;
  - c. Ensure that obligations are purchased, sold or presented for redemption or payment by a custodian only in accordance with instructions from the Vice President for Finance or a subordinate authorized to make the investment; and
  - d. Provide that payment of the College funds shall only be made upon delivery of the purchased obligations.

**K. Legal Review:**

All security agreements, custodial agreements, letters of credit, surety bonds and repurchase agreements shall be reviewed by the Officer of General Counsel for Nassau Community College, or outside counsel retained for this purpose, to determine their compliance with the requirements of Section 10 and 11 of the General Municipal Law and this policy.

**L. Annual Review**

The Board of Trustees shall review this policy at least annually.

## APPENDIX A

## SCHEDULE OF ELIGIBLE COLLATERAL

Eligible Securities

- A. Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.
- B. Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.
- C. Obligations partially insured or guaranteed by an agency of the United States if America, at a proportion of the market value of the obligation that represents the amount of the insurance of guaranty.
- D. Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation school district or district corporation of the State of New York or obligations of any public benefit corporation which under a specific New York State statute may be accepted as security for deposit of public moneys.