

RESOLUTION OF THE CITY COUNCIL

No. 523

Approved November 8, 2018

RESOLVED, That the Members of the Providence City Council hereby adopt guidelines for the investment of the City's funds and to allow the Investment Officer to function properly within the parameters of responsibility and authority.

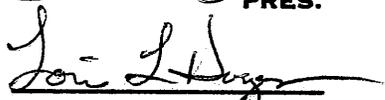
IN CITY COUNCIL

NOV 01 2018

READ AND PASSED



PRES.



CLERK

I HEREBY APPROVE



Mayor

Date: 11/8/18

**City of Providence
Rhode Island**

Investment Policy Statement

Appendix Exhibit A – Investment Statutes

R.I. State Law

§ 35-10.1-1 Short title. – This chapter shall be known as and may be cited as the "Rhode Island Collateralization of Public Deposits Act".

§ 35-10.1-2 Definitions. – The following definitions shall apply for the purposes of this chapter

(1) "Commission" shall mean the state investment commission established pursuant to chapter 10 of this title.

(2) "Depository institution" shall mean any state chartered bank or trust company, state chartered loan and investment company or building loan company, national banking association, state chartered savings bank, or federally chartered savings bank insured by the federal deposit insurance corporation or a federally or state chartered credit union insured by the national credit union administration.

(3) "Eligible collateral" shall mean assets owned by a depository institution free and clear of any right, title, or interest of any other party (other than a public depositor that acquires a security interest in the collateral) pursuant to this chapter and consisting of:

(i) Obligations of the United States government or any of its agencies or instrumentalities;

(ii) Obligations of the state or any of its political subdivisions, or of any of the agencies, boards, or commissions of the state or political subdivision;

(iii) Obligations of any state other than Rhode Island or any of that other state's political subdivisions, or any of the agencies, boards, or commissions of that state or political subdivision, provided that these obligations are rated not less than "A" by Standard & Poor's Corporation or Moody's investors service;

(iv) One to four (4) family residential mortgage loans; provided, that the value of the collateral is not less than one hundred fifty percent (150%) of the public deposit secured thereby; and provided, further, that the original loan to value ratio on the individual mortgage loans pledged as collateral shall not have exceeded eighty percent (80%) unless private mortgage insurance was obtained with respect to any excess; however, collateral of this type shall not exceed twenty-five percent (25%) of total collateral pledged by a depository institution; or

(v) Other marketable securities and debt instruments determined by the commission to be satisfactory for purposes of providing liquid assets in the event of the default or insolvency of a qualified depository institution; provided, that the commission gives prompt public notice of any determination it makes under this paragraph; and provided, further, that all depository institutions are permitted to use any category of eligible collateral approved under this section; however,

collateral of this type shall not exceed ten percent (10%) of total collateral pledged by a depository institution.

(4) "Public deposit" shall mean funds deposited in a demand account or time deposit account at any depository institution by the state or any of its agencies, boards, or commissions, or by any governmental subdivision of the state or any of the subdivision's agencies, boards, commissions, or districts.

(5) "Public depositor" shall mean the entity in the name of which a public deposit is maintained.

(6) "Qualified depository institution" shall mean a depository institution that has satisfied all of the requirements of this chapter with respect to insuring or securing public deposits held by that institution.

(7) "State" shall mean the state of Rhode Island.

§ 35-10.1-3 Securing of deposits. – (a) Every qualified public depository shall, at a minimum insure or pledge eligible collateral equal to one hundred percent (100%) of public deposits which are time deposits with maturities greater than sixty (60) days, and which were maintained with that depository institution as of October 1, 1991; provided, that any qualified depository institution which does not meet its minimum capital standard as prescribed by its federal regulator shall insure or pledge eligible collateral equal to one hundred percent (100%) of all public deposits maintained with that depository institution as of October 1, 1991. The amount of eligible collateral required shall be determined when funds are deposited for time deposits, and at the end of each month for demand deposits. The amount of required insurance shall be determined in accordance with § 35-10.1-8.

(b) All eligible collateral shall be designated as security for public deposits under this chapter and shall be segregated from the depository institution's other assets, by:

(1) Depositing the collateral in a custodial account at the federal reserve bank or federal home loan bank for the district in which the qualified depository institution is located;

(2) Depositing the collateral in a custodial account in the qualified depository institution's trust department or in the trust department of another qualified depository institution; provided, that the terms under which the collateral is to be held are set forth in a written custodial agreement; and provided, further, that no creditor of the depository institution that pledged the collateral may have or obtain rights in the collateral that are superior to the rights of the public depositor; or

(3) When the collateral is held in book entry form, notifying the custodian of the collateral that it has been pledged as collateral for a public deposit.

(c) If eligible collateral has been designated and segregated as provided in this section, the public depositor shall be deemed to have a perfected security interest therein.

(d) The qualified depository institution shall deliver to the general treasurer, municipal finance officer, or chief financial officer a power of attorney authorizing the general treasurer, municipal finance officer, or chief financial officer to transfer or liquidate these securities in the event of default, financial failure, or insolvency of a depository institution.

§ 35-10.1-4 Substitution of collateral. – A qualified depository institution may substitute insurance or different forms of collateral from time to time without notice to the public depositor or the commission; provided, that any substitute collateral constitutes eligible collateral; and provided, further, that no substitution of insurance or collateral shall cause the depository institution to cease being a qualified depository institution.

§ 35-10.1-5 Valuation of collateral. – The valuation of collateral shall be established initially at the time the collateral is pledged and shall be adjusted thereafter as of the last day of each month. For the purpose of this chapter, the value of collateral shall be its market value.

§ 35-10.1-6 Income from collateral. – The income from assets that constitute segregated collateral shall belong without restriction to the depository institution that pledged the collateral unless and until the assets are transferred to the public depositor or its designee as the result of a default or insolvency of the depository institution.

§ 35-10.1-7 Reports. – (a) Except with respect to those public deposits which are fully insured by federal deposit insurance, each qualified depository institution holding public deposits shall file a report as required by this section within forty-five (45) days following the end of each of the institution's fiscal quarters.

(b) Reports required to be filed under subsection (a) shall be certified as accurate by the chief financial officer of the reporting institution.

(c) Reports required to be filed under subsection (a) shall be filed with the commission and with each public depositor that maintains a public deposit with the reporting institution.

(d) Each quarterly report shall contain:

(1) The name of the reporting institution and the name, title, address, and telephone number of an officer to whom questions regarding the report should be addressed;

(2) The institution's total capital as of the last day of the fiscal quarter most recently ended;

(3) The institution's risk based capital to risk weighted assets ratio as of the last day of the fiscal quarter most recently ended, computed in accordance with federal regulations applicable to the institution;

(4) A statement whether or not the institution's net income for the fiscal quarter most recently ended, as reported in a quarterly financial report certified by the institution's chief financial officer, exceeded zero;

(5) The aggregate dollar amount of public deposits held by the institution for each public depositor as of the last day of the fiscal quarter most recently ended;

(6) The minimum dollar value of eligible collateral the institution is required to pledge in order to be a qualified depository institution in accordance with this chapter;

(7) The value of all eligible collateral pledged by the institution, determined in accordance with this chapter; and

(8) The amount of any private deposit insurance purchased by the institution with respect to its public deposits pursuant to § 35-10.1-8.

§ 35-10.1-8 Insurance. – At its option, a depository institution may elect to purchase insurance for one hundred percent (100%) of any public deposit not covered by federal deposit insurance or secured pursuant to this chapter; provided, that this insurance is provided by an insurer rated "AAA" by Standard & Poor's corporation, Moody's investors service, or both. This insurance may be provided in lieu of, but shall not be required in addition to, collateral otherwise required pursuant to this chapter.

§ 35-10.1-9 Federal deposit insurance. – Public deposits which are fully insured by federal deposit insurance, subject to deposit insurance limitations, shall not be required to be secured by eligible collateral as provided by this chapter.

§ 35-10.1-10 Annual report. – An annual report shall be made sixty (60) days after the end of each calendar year by the general treasurer to the general assembly on the effectiveness of this chapter.

§ 35-10.1-11 Effective date. – This chapter shall take effect June 7, 1991, and shall be applicable only to those deposits made subsequent to October 1, 1991.

§ 35-10.2-1 Short title. – This chapter shall be known and may be cited as the "Rhode Island Local Government Investment Pool Act".

§ 35-10.2-2 Purpose. – The purpose of this chapter is to enable eligible governmental entities to participate with the state in providing maximum opportunities for the investment of public funds consistent with safety and protection of such funds. It is the intention of the general assembly in enabling the general treasurer with the approval of the state investment commission to establish the said investment pools, that the general treasurer and state investment commission consider the importance of retaining deposits with the banks located and operating within the state, that further consideration be given to a bank's commitment to the various communities within the state, the bank's role as an employer within the state, as well as the bank's commitment to the growth of economic development within the state.

(1) "Commission" means the state investment commission;

(2) "Participation Unit" means the equal proportionate share into which the beneficial interest in the trust is divided and includes a fraction of a unit as well as whole units.

§ 35-10.2-4 Establishing investment pools. – Notwithstanding any general or special law or regulation to the contrary, the general treasurer may establish, subject to the approval of the commission, one or more investment pool trust funds containing certain monies in accordance with § 35-10.2-5.

§ 35-10.2-5 Monies included in investment pools. – Each investment pool trust fund may contain any or a combination of any of the following:

(1) Monies of the several funds of the state according to § 35-10-2;

(2) The proceeds of all bond issues not immediately required; or

(3) The funds under the custody of agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the state.

§ 35-10.2-6 Trustee of the funds. – The general treasurer shall serve as trustee for each established investment pool trust fund in accordance with this chapter.

§ 35-10.2-7 Investment of funds. – The general treasurer shall invest each investment pool trust fund in instruments prescribed, and in amounts approved, by the commission in accordance with § 35-10-6.

§ 35-10.2-8 Participation units. – The general treasurer is authorized to sell to all agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the state, participation units in any such combined investment trust fund. Such participation units are made legal investments for all the funds under the custody of such agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the state.

§ 35-10.2-9 Reporting. – (a) The general treasurer shall keep a separate account of each participant having funds in the investment pool. Each separate account shall record the individual amounts deposited in the investment pool, the date of withdrawals, and the earnings credited or paid. The general treasurer shall report monthly the status of the respective account to each participant having funds in the pool during the previous month.

(b) At the end of each fiscal year, the general treasurer shall submit to the governor and the state auditor a summary of the activity of the investment pool. The summary shall indicate the quantity of funds deposited; the earnings of the pool; the investments purchased, sold, or exchanged; the administrative expenses of the investment pool; and such other information as the state treasurer deems relevant.

§ 35-10.2-10 Rules and regulations. – The general treasurer, subject to the approval of the commission, shall by rule prescribe the time periods for investments in the investment pool and the procedure for withdrawal of funds from the investment pool. The state treasurer shall promulgate such other rules as are deemed necessary for the efficient operation of the investment pool.

§ 35-10.2-11 Severability. – The holding of any section or sections or parts thereof to be void, ineffective, or unconstitutional for any cause shall not be deemed to affect any other section or part thereof.

§ 35-10-5 Investment of sinking fund moneys. – Notwithstanding the provisions of this chapter, any sinking fund money shall be invested in bonds or certificates of indebtedness of the state, or in bonds of the United States or of any state of the United States, or, in the commission's discretion, in the interest bearing notes or bonds of any city, town, or fire district in the state, or of any county, city, or town in any state of the United States.

History of Section.

(P.L. 1958, ch. 164, § 5.)

§ 35-10-11 Additional investment powers.

The state, any state agency, **any city or town**, and any municipal agency which has, or has control of, any funds not immediately required for other purposes may, in addition to other investments in which it may be authorized to invest by law, and notwithstanding any provisions of any special law or municipal charter to the contrary, invest these funds, either individually or with each other, in:

(1) Deposits in banks, savings banks, national banks or trust companies, loan and investment companies, credit unions; and in shares of building-loan associations; the principal office of which institution or institutions is located in this state or which has a deposit-taking facility within this state; provided, that the investments shall be made as would be done by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and preservation of their capital;

(2) Shares or units of beneficial interest of any open end investment company or association or investment trust which is registered under the federal Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq.; provided, that the company, association, or trust shall:

(i) Limit the issuance, distribution, and ownership of its shares or units solely to this state, state agencies, cities and towns of this state, and municipal agencies thereof, other than shares or units issued in connection with the initial capital required by the federal Investment Company Act of 1940;

(ii) Invest solely in securities and investments which are lawful for investments of savings deposits as set forth and defined in chapter 3 of title 19, without regard to the provisions of this chapter as to percentage of deposits which may be so invested, or are lawful for investment of reserve funds by cities and towns under § 45-11-1, but subject to the restrictions that:

(A) No investment shall be made in any security or investment authorized under chapter 3 of title 19, unless, after giving effect to the investment, no more than ten percent (10%) of the total assets of the company, association, or trust shall be invested in securities or investments of a class or type authorized solely under this chapter;

(B) No investment shall be made in any security or investment authorized under chapter 3 of title 19, unless, after giving effect to the investments, no more than five percent (5%) of the total assets shall be invested in the securities or investments authorized solely under this chapter of any one issuer or obligor; and

(C) If the lawful investments constitute collateral for any repurchase agreement, the company, association, or trust shall take delivery of the collateral either directly or through an authorized custodian; and

(iii) Invest solely in such of the investments as would be done by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and preservation of their capital; and

(3) Notwithstanding the provisions of paragraphs (1), (2)(ii)(A), and (2)(ii)(B), in:

(i) Obligations issued or guaranteed by the United States government or any agency or instrumentality thereof and repurchase agreements fully collateralized thereby, or in securities of any open end investment company or association or investment trust, custodial arrangement, or pool which is registered under or exempt from the federal Investment Company Act of 1940, provided, that the portfolio of the company, association, trust, custodial arrangement, or pool is limited to obligations issued or guaranteed by the United States government or any agency or instrumentality thereof and repurchase agreements fully collateralized thereby and that the company, association, trust, custodial arrangement, or pool takes delivery of the collateral either directly or through an authorized custodian, agent, or depository; and

(ii) Any security of a state or political subdivision thereof, or in securities of any open end investment company or association or investment trust, custodial arrangement, or pool which is registered under or exempt from the federal Investment Company Act of 1940, provided, that

(A) The portfolio of the company, association, trust, custodial arrangement, or pool is limited to state or political subdivision securities and repurchase agreements fully collateralized thereby;

(B) The company, association, trust, custodial arrangement, or pool takes delivery of the collateral either directly or through an authorized custodian or depository;

(C) The interest on the securities is exempt from federal income taxation;

(D) At the time of the investment, the security (in the case of a security issued by or on behalf of a state or political subdivision thereof) has a rating as determined by a national rating agency of municipal obligations equal or superior to the last rating by the agency applicable to general obligations of the state or (in the case of a fund) the fund invests solely in securities having these ratings;

(E) In connection with the investments, the state, state agency, city, town, or municipal agency may enter into contracts to purchase and resell the investments at specified or determinable prices.

(4) Notwithstanding the provisions of subdivision (1), in certificates of deposit obtained in accordance with the following conditions:

(i) The funds are initially invested through a financial institution as defined in subdivision 19-1-1(8) or chapter 19-1, selected by the investing governmental entity;

(ii) The selected financial institution arranges for the deposit of the funds in certificates of deposit in one or more federally insured banks or savings and loan associations, for the account of the governmental entity;

(iii) The full amount of the principal and accrued interest of each certificate of deposit is insured by the Federal Deposit Insurance Corporation;

(iv) The selected financial institution acts as custodian for the governmental entity with respect to the certificates of deposit issued for the governmental entity's account; and

(v) At the same time that the governmental entity's funds are deposited and the certificates of deposit are issued, the selected financial institution receives an amount of deposits from customers of other banks and savings and loan associations, wherever located, equal to the amount of funds initially invested by the governmental entity through the selected financial institution.

(5) Public deposits placed in accordance with the conditions prescribed in this subsection shall not be required to be secured by eligible collateral as set forth in chapter 35-10.1.

**CITY OF PROVIDENCE
RHODE ISLAND**

INVESTMENT POLICY

I. Introduction

The City of Providence (the "City") is a political sub-division of the State of Rhode Island governed by a Home Rule Charter (the "Charter"), Rhode Island General Laws, and the City's Ordinances. Pursuant to the Charter, the City's affairs are governed by an elected legislature (the "City Council" or "Council"), and an elected Chief Executive Officer (the "Mayor"). The management of the City's finances is set forth in the Charter, which assigns certain authority to a Treasurer, to be elected by the City Council, and others to the City's Finance Department, the head of which is the Finance Director appointed by the Mayor.

The purpose of this Policy is to establish guidelines for the investment of such sums of money described in the City of Providence Ordinances, Section 21-63, as fully described below.

II. Governing Authority

In accordance with Article VI of the Charter, the Treasurer has the powers and duties to, among other things, maintain certain records; have custody of all public funds belonging to or under the control of the City; deposit municipal funds in an institution chosen from a list of depositories approved by the Finance Director; and have custody of all investments and invested funds.

Pursuant to Article VIII, Section 813 of the Charter, the Finance Director serves as the chief fiscal officer of the City, responsible to the Mayor for the sound and prudent financial direction of the City. The Finance Director, with the approval of the Board of Investment Commissioners, determines an approved list of financial institutions with which the City's funds may be deposited.

City Ordinance Section 21-63 makes provisions for the City's investment of general funds that are in excess of the amounts required for payment of the City's current obligations. More specifically, Ordinance Section 21-23 states as follows:

“The city treasurer, with the advice and approval of the finance director, is hereby authorized to invest, from time to time, in certificates of indebtedness issued by the United States Government, state and local governments, or agencies thereof, or certificates of indebtedness issued by banks chartered under the laws of the United States or the several states thereof, such sums of money in the general fund of the city as may be deemed in excess of the amount required for the payments of current obligations of the city; provided, however, that any such investment in securities or certificates of indebtedness from said fund, with a maturity in excess of six (6) months, shall be made only with the approval of the city council finance committee.”

(The funds described by Section 21-63 are hereinafter referred to as the “excess general funds.”)

In addition, the Rhode Island General Laws further governs the manner in which its political subdivisions may invest certain funds.

No authority or procedure herein supersedes those established by the Charter, any Rhode Island General Law that applies to investments by cities and towns, or any existing City Ordinance. Rather, this Policy shall be deemed to be consistent with, and to complement, existing laws. The Policy further intends to adopt the State of Rhode Island’s guidelines for the State’s investments of state and/or municipal funds, as reflected in the General Laws, including but not limited to R.I. Gen. Laws § 35-10.1, § 35-10.2, § 35-10-5, and § 35-10-11.

III. Scope

This Policy shall cover the “excess general funds” provided to the Treasurer in accordance with the Charter and Ordinances, as defined in Section II above and Ordinance Section 21-63. The Policy shall not apply to funds covered by any trust indenture or bond covenants, or pension or retirement funds.

IV. Objectives

The primary objectives, in priority order, of the City’s investment activities shall be:

- A. **Legality.** Investments shall be made in accordance with applicable laws and this Investment Policy.
- B. **Safety.** Safety of principal is the foremost objective of investments. The City’s investments shall be undertaken in a manner that seeks to ensure preservation of capital.

- C. Liquidity. The City's investments will remain sufficiently liquid to enable the City to meet its cash flow requirements. Investments shall be managed and aligned to the City's long term planning needs.
- D. Return on Investment. The City's investments shall be made with the objective of attaining a market rate of return on its investments, consistent with the constraints imposed by its safety objective and liquidity considerations.

V. Investment Officers

In accordance with the Charter and Ordinances, the Treasurer shall coordinate with the City's Finance Director with respect to the investment of the funds governed by this Policy. The Treasurer and the Finance Director (together the "Investment Officers") shall abide by any written procedures and internal controls for the operation of any investment program governed by this Policy.

The Investment Officers shall act responsibly as custodians of the public trust, with their primary duty to the City, and in accordance with the standard of care defined by Rhode Island law for a municipal treasurer and finance director, or persons having the duties set forth in the Charter. In performing their roles as Investment Officers, neither the Treasurer nor the Finance Director shall act outside the scope of their respective duties set forth in the Charter, the General Laws or the Ordinances. If the Investment Officers use standard care, they shall be indemnified for all awards and costs against all actions brought against them.

VI. Investment Advisor

The City may engage the services of an Investment Advisor to exercise and implement investment decision-making on behalf of the City. Such Advisor must be registered with, and act in compliance with the provisions of the Investment Advisors Act of 1940. The Investment Advisor shall be required to execute a contract with the City, which shall incorporate this Policy.

No Investment Advisor shall be utilized unless the Investment Officers reasonably believe that an Investment Advisor can realize a net financial gain to the City, after payment of fees and expenses to the investment advisor(s), greater than that which would be realized if the Investment Officers, on behalf of the City, themselves directed the investment of the excess general funds.

If applicable, the award of any contract to engage the services of an Investment Advisor shall be made pursuant to and in accordance with Ordinance Sections 21-26 and/or 21-27 ("Appropriation for Contract" and "Competitive Bidding"), and subject to section VII below.

VII. Ethics and Conflict of Interest

The Investment Officers shall refrain from personal business activities that could conflict with proper execution of the investments, or which could impair their ability to make impartial decisions. The Investment Officers, any City officers and employees involved with the investment decisions and executions, and any and all Investment Advisors shall disclose to the City Ethics Commission any material interests in financial institutions with which they conduct business. Such disclosures shall be made both prior to and during the existence of the investment process. Furthermore, the Investment Officers, and any and all other City officers and employees are subject to the provisions of the Rhode Island Code of Ethics and the City of Providence Code of Ethics (Ordinance Section 17-33), including but not limited to Ordinance Section 17-33(d) relating to persons leaving the employment of the City.

VIII. Internal Controls

The City Controller shall establish a set of internal controls which shall be documented in writing. The internal controls will be overseen by the Investment Officers. The goal of the internal controls is to improve the efficiency and effectiveness of financial operations, to contribute to the safeguarding of City assets, and to identify and discourage irregularities, such as questionable or illegal payments and practices, conflict of interest activities and other diversions of the City assets.

IX. Permitted Investments

Pursuant to Rhode Island General Laws § 35-10-11, the Investment Officers are authorized to invest City funds not subject to sinking fund or bond indenture requirements in certain "Authorized Investments." Such authorized investments are limited to instruments explicitly permitted by the Rhode Island General Laws and City Ordinances, including the following:

1. Obligations issued by the U.S. Government and its agencies or instrumentalities which carry the full faith and credit guarantee of the United States of America.
2. Obligations issued by U.S. Government agencies and instrumentalities, including:
 - a. Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).
 - b. U.S. dollar denominated debt obligations of a multilateral organization of governments (Supranationals).
 - c. Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest, by a U.S. Federal agency or government sponsored enterprise, including pass-throughs, collateralized mortgage obligations (CMOs) and REMICs.

3. Municipal securities issued by a state or political subdivision thereof provided the following conditions are satisfied:
 - a. The interest on such securities is exempt from federal income taxation; and
 - b. As required by Rhode Island general Laws §35-10-11(3)(ii)(D), at the time of the investment, the security has a credit rating, as determined by a national rating agency, that is equal to or higher than the most recent credit rating of that same national rating agency applicable to general obligations of the State of Rhode Island.
 - c. However, the investment of any funds governed by this investment Policy in any obligations issued by the City and/or any City related agencies is strictly prohibited without approval of the City Council.

4. Repurchase agreements provided the following conditions are satisfied:
 - a. The agreement is fully collateralized by obligations issued by the U.S. Treasury, U.S. Government agencies and instrumentalities, and /or Municipal securities listed in paragraphs (1), (2), and (3) above having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
 - b. A Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
 - c. The securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for the City, provided such third party is not the seller under the repurchase agreement;
 - d. A perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the City;
 - e. For Repurchase Agreements with terms to maturity of greater than one (1) day, the collateral securities will be valued daily. If additional collateral is required, then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
 - f. The counterparty is a:
 - i. Primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
 - ii. A bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
 - g. The counterparty meets the following criteria:
 - i. A short-term credit rating of at least A-1 from Standard & Poor's or P-1 from Moody's or the equivalent from a nationally recognized statistical rating organization (NRSRO), and
 - ii. Has been in operation for at least 5 years.

5. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, if the only investments of that company are in the authorized investments for City funds listed in paragraphs (1) through (4) above.
6. Local government investment pools, either state-administered or developed through intergovernmental agreement legislation, provided the local government investment pool restricts investments to those listed in paragraphs (1) through (4) above.
7. The Ocean State Investment Pool ("OSIP") and similar investment pools authorized under and defined in Rhode Island General Laws §35-10.2-1 through §35-10.2-11.
8. Certificates of deposit arranged by and invested through a financial institution as defined in Rhode Island General Laws §19-1-1(8) or chapter 19-1. The certificates of deposit must be provided by a federally insured bank or savings and loan association the principal and accrued interest of which is fully insured by the Federal Deposit Insurance Corporation.
9. Deposits in banks, savings, banks, national banks, or trust companies, loan and investment companies, credit unions and in shares of building-loan associations provided the following conditions are satisfied:
 - a. The institution maintains an office or a deposit-taking facility within the State of Rhode Island.
 - b. Such deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Fund to the extent that such accounts are so insured;
 - c. To the extent that such deposits described in this paragraph (9) exceed amounts covered by federal deposit insurance, approved collateral shall satisfy the requirements set forth in the Rhode Island Collateralization of Public Deposits Act, as defined in Rhode Island General Laws §35-10.1-1 through §35-10.1-11.
10. Any other investments expressly permitted by State of Rhode Island Law as well as any future amendments to applicable Rhode Island Laws.

Any Authorized Investments shall further be limited by, and subject to, any and all statutes, ordinances, resolutions or similar statements restricting, discouraging or prohibiting investments in certain entities, countries, types of businesses, or the like.

X. Investment Parameters

Unless otherwise specifically permitted by the City, an investment must also comply with the restrictions listed on Exhibit A, attached hereto and incorporated herein.

XI. Investment of Federally Tax-Exempt Bond Proceeds

The City shall comply with all applicable sections of the Internal Revenue Code as they relate to Arbitrage Rebate and the investment of bond proceeds. The Investment Officers or Investment Advisor shall maintain all investment records to ensure compliance with all regulations.

XII. Safekeeping and Custody

All investment securities purchased with funds governed by this Policy shall be held in the name of the City by a third-party custodial agent that may not otherwise be counterparty to the investment transaction and will be free and clear of any lien. Further, all investment transactions will be conducted on a delivery-vs-payment basis. The custodial agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent information. On a monthly basis, the custodial agent will provide reports that list all securities held for the City and the value of such securities as of month-end.

City officials and representatives of the custodial agent responsible for, or in any manner involved with, the safekeeping and custody process of the City's investments, shall be bonded in such a manner as to protect the City from losses from malfeasance and misfeasance.

Original copies of non-negotiable certificates of deposit and confirming copies of all other investment transactions must be delivered to and maintained by the Treasurer.

XIII. Reporting Requirements

Investment reports shall be submitted by the Investment Officers in accordance with the Charter and the Ordinances, and at any other time requested by the Finance Department or the City Council. The submitted investment reports must include acknowledgements by the Investment Officers that investments are in compliance with this Policy.

If the City engages an investment advisor to manage the city's funds, the investment advisor shall provide monthly reports to the Investment Officers for all funds under the management of the investment advisor, and certify that all investments are in compliance with this Policy.

XIV. Performance Standards

The City's investments shall be managed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the City's investment portfolios. Investments and/or specific investment portfolios shall be compared to an index of U.S. Treasury securities having a similar duration or other appropriate benchmarks.

XV. Investment Advisors

Any investment advisors contracted by the City shall verify in writing that they have received a copy of this Policy. Such written statement shall indicate that they have read and understand this Policy and all applicable laws relating to the City's investments, and their intent to comply fully with these requirements. Investment Advisors will be required to submit reports in accordance with the terms to be set forth in the contract to be awarded through the City's bidding process.

The City shall require all investment advisors to submit any and all of the following prior to engagement by the City and upon request:

1. Audited financial statements.
2. Proof of Financial Industry Regulatory National Association (FINRA) certification.
3. Proof of state registration.
4. SEC Form ADV Part II (for investment advisors).
5. Any and all other documents requested by a bid or request for proposal duly advertised by the City.

XVI. Authorized Financial Institutions, Depositories, and Broker/Dealers

The Investment Officers will maintain a list of approved financial institutions and depositories, which shall be reviewed and updated at least every 24 months.

If the City hires an Investment Advisor, the Investment Advisor will maintain a list of approved security broker/dealers selected, pursuant to the terms set forth in the contract to be awarded through the Ordinance's bidding process. For the purpose of this section, the term "broker" means a broker-dealer, broker, or agent of a government entity, who transfers, purchases, sells, or obtains securities for, or on behalf of, a government entity. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

XVII. Amendment and Effective Date

This Investment Policy shall be updated on a continuing basis by incorporation of substantive changes made to applicable laws. Any changes shall be made as soon as practicable, in writing, and submitted for approval by the City Council. Notwithstanding, any substantive changes to applicable laws shall be deemed incorporated herein, effective as of the date of the applicable law.

This Investment Policy shall be deemed effective upon passage.