

Title 38: Treasurer

Part 1: Office of the State Treasurer

Part 1 Chapter 1: Regulation Number 1

Rule 1.1 Overview Authority of State Treasurer. Section 31-19-5 of the Mississippi Code of 1972 Annotated, as amended, authorizes the State Treasurer to promulgate rules regarding alternative methods of investment of any funds received from the sale of bonds, notes, or certificates of indebtedness heretofore or hereafter sold by the State of Mississippi or any agency or department thereof or by any county, municipality, road district, levee district, development district, utility district, school district, drainage district or other entity authorized by law to issue bonds, notes, or certificates of indebtedness (hereafter “Issuer” or “Issuers”), which are not immediately required for disbursement for the purpose for which issued.

Source: *Miss. Code Ann.* § 31-19-5 (Rev. 2007).

Rule 1.2 Purpose. The purpose of this investment policy is to regulate and provide guidelines for entities authorized by law to issue bonds, notes or certificates of indebtedness, regarding alternative methods of investment of funds received from the issuance of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose for which issued. This regulation does not apply to the investment of general funds of the above named entities.

Source: *Miss. Code Ann.* § 31-19-5 (Rev. 2007).

Rule 1.3 Permissible Investments. Any funds received from the sale of bonds, notes or certificates of indebtedness heretofore or hereafter sold by an Issuer, which are not immediately required for disbursement for the purpose for which issued (“Bond Funds”), may unless otherwise prohibited by law be invested by the proper authorities in the following investments:

- A. Certificates of Deposit or other interest bearing accounts issued by a qualified depository of the State of Mississippi as follows:
 1. Qualified Depository of the State of Mississippi. A qualified depository of the State of Mississippi is a financial institution qualified by the State Treasurer as a depository in accordance with Section 27-105-5 of the Mississippi Code Annotated as amended. A list of qualified depositories is available from the State Treasurer.
 2. Maturity. The certificate of deposit must mature or be redeemable by the holder on or prior to the date upon which such funds will be required for disbursements.
 3. Interest Rate. Interest rates may be negotiated or determined by competitive bids. The interest rate on a certificate of deposit shall bear interest at a rate per annum not less than a simple interest rate numerically equal to the highest of:

- a. the discount rate of United State Treasury obligations of comparable maturity as published in the Wall Street Journal on the date of investment;
- b. the current rate of interest paid on certificates of deposit; or
- c. the bond equivalent yield paid on United States Treasury obligations of comparable maturity as published in the Wall Street Journal on the date of investment.

Provided, however, that the proceeds from the sale of bonds issued pursuant to the joinder of supervisor's districts of adjacent counties in establishing industrial enterprises as set out in 57-1-131 through 57-1-145, Mississippi Code of 1972, or Chapter 3 of Title 57, Mississippi Code of 1972, may be invested in certificates of deposit issued by qualified depositories of the State of Mississippi bearing interest at any rate per annum which may be mutually agreed upon, but in no event shall said rate be less than the discount rate on United States Treasury obligations of comparable maturity.

- 4. Security. Said certificates of deposit shall be secured as otherwise required by applicable law.

B. Direct United States Treasury Obligations guaranteed in full as to principal and interest by the United State of America, limited to the following:

- 1. U.S. Treasury Bills
- 2. U.S. Treasury Notes having remaining maturities of no more than eighteen (18) months unless a longer term is provided through compliance with Section 4 below.
- 3. U.S. Treasury Bonds having remaining maturities of no more than eighteen (18) months unless a longer term is provided through compliance with Section 4 below.

C. United States Government Agency obligations having remaining maturities of no more than eighteen (18) months unless a longer term provided through compliance with Section 4, the principal and interest of which are fully guaranteed by the United States of America or an agency thereof, however, limited to the following:

- 1. Farm Credit System Financial Assistance Corporation Securities
- 2. Federal Home Loan Bank
- 3. Federal National Mortgage Association
- 4. Student Loan Marketing Association
- 5. Resolution Trust Corporation

Note 1: All investments in United States Government Agency obligations may not exceed 50% in the aggregate of all Bond Funds invested for 30 days or more.

Note 2: In no event shall the remaining maturity of any United State Government Agency obligation exceed 5 years.

Note 3: Pools consisting of Federal Home Loan Mortgage Corporation (Freddie Mac) securities and/or Federal National Mortgage Association (Fannie Mae) mortgage

backed securities are not permissible investments; however, such pools may be taken as collateral on deposits.

- D. Direct Security Repurchase Agreements and Reverse Direct Agreements of any federal book entry of direct United States Treasury obligations and United States Government Agency obligations guaranteed as to principal and interest; provided, however, the Issuer must make a finding in writing that a Reverse Direct Security Repurchase Agreement is in the Issuer's best interest. Such finding must be spread upon the official minutes of the Issuer and provided to the State Treasurer.
1. Direct Security Repurchase Agreement. "Direct Security Repurchase Agreement" means an agreement under which the entity buys, holds for a specified time, and then sells back certain securities and obligations.
 2. Reverse Direct Securities Repurchase Agreement. "Reverse Direct Securities Repurchase Agreement" means an agreement under which the entity sells and after a specified time buys back certain securities and obligations.
 3. Dollar Limitation. At least eighty percent (80%) of the total dollar amount in all repurchase agreements by each Issuer at any one time shall be pursuant to contracts with qualified state depositories.
 4. Maturity. The repurchase agreement shall mature or be redeemable prior the time funds will be needed for expenditure but in any event must have a term of 30 days or less.

Funds received from the sale and redemption of bonds, notes, or certificates of indebtedness shall not be invested in securities of, or interest in, any open-end or closed-end management type investment company or investment trust, except that pursuant to 91-13-8, Mississippi Code of 1972, a bank trustee acting in a fiduciary capacity that is authorized to invest in direct obligations of the U.S. of America also may invest such public fund in securities of, or other interests in, an open-end or closed-end management type investment company or investment trust that meets the criteria set out in 91-13-8, Mississippi Code of 1972.

Source: *Miss. Code Ann.* § 31-19-5 (Rev. 2007).

Rule 1.4 Maturities.

- A. Investments in the form of direct United State Treasury obligations, United States agency obligations, certificates of deposit or repurchase agreements must mature or be redeemable by the holder on or prior to the date upon which funds will be required for disbursement.
- B. Except with respect to the investment of the proceeds of refunding bonds and reserves established in connection with the issuance of any bonds, the maturity of investments shall not exceed 18 months from date of purchase, unless the Issuer makes a finding in writing that a longer term investment is in the Issuer's best interest. Such finding must be spread upon the official minutes of the Issuer and provided to the State Treasurer. Investments in the form or repurchase agreements shall not in any event exceed 30 days from the date of purchase.

- C. To avoid interest rate risk exposure, investments should be made with the intent to hold until maturity and not for resale on the market.

Source: *Miss. Code Ann.* § 31-19-5 (Rev. 2007).

Rule 1.5 Purchase and Sale of Securities. Direct United State Treasury obligations and United States Government Agency obligations must be purchased from qualified depositories of the State of Mississippi or registered Mississippi investment brokers who are members in good standing of or eligible for membership in the National Association of Securities Dealers (NASD), or from state and national banks qualified to do business in the State of Mississippi. Certificates of deposits must be purchased from qualified depositories of the State of Mississippi. At least eighty percent (80%) of the total dollar amount of all repurchase agreements entered into by any governmental entity investing funds governed by this regulation must be pursuant to contracts with qualified depositories of the State of Mississippi. Any remaining repurchase agreements may be entered into pursuant to contracts with investment brokers licensed by the State of Mississippi who are members in good standing of the National Association of Securities Dealers (NASD), or from state and national banks qualified to do business in the State of Mississippi.

Source: *Miss. Code Ann.* § 31-19-5 (Rev. 2007).

Rule 1.6 Arbitrage. This regulation is subject to, and in no way effects the applicability of Section 148 and other provisions of the Internal Revenue Code of 1986 and regulations promulgated thereunder relating to the investment of funds derived from the sale of bonds, notes or certificates of indebtedness.

Source: *Miss. Code Ann.* § 31-19-5 (Rev. 2007).

Rule 1.7 Application. This regulation shall not be construed to in any way amend or repeal the specific provisions of any general or local and private laws requiring or permitting the investment of funds received from the sale of bonds, notes or certificates of indebtedness of reserve funds related thereto in specific investments provided for in said laws.

Source: *Miss. Code Ann.* § 31-19-5 (Rev. 2007).

Part 1 Chapter 2: Regulation 2-Selection Process for International Banking Establishment to Handle Foreign Currency Exchange

Rule 2.1 Purpose. The adoption of rules is necessary for selection of an institution to handle foreign currency acquisition and distribution for the Department of Economic and Community Development. Pursuant to §25-43-7 and §25-43-9 Mississippi Code of 1972, annotated, the Office of the Treasurer submits proposed rules covering the selection process for an international banking establishment to handle foreign currency exchange and distribution for the following reason:

Losses of 20% in currency exchange transactions have occurred in prior years and such transactions have been significant enough to utilize the services of a large international banking institution to manage the acquisition and distribution of foreign currency. The immediate implementation of this management practice will minimize potential losses by making forward purchases of currency or other contracts aimed at cutting significant monetary losses.

Source: *Miss. Code Ann.* § 27-105-33 (i) (Rev. 1995), § 31-19-5 (Rev. 2007).

Rule 2.2 Qualification Requirements for International Banking Institutions. The following criteria are required, as a minimum, for a banking institution to qualify as a foreign financial institution selected to support the foreign currency investment requirements allowed under §27-105-33(1), Mississippi Code of 1972, annotated:

- A. Reported assets of not less than \$500,000,000.
- B. AAA rating or better.
- C. Capability of dealing directly in world currencies.
- D. Operate full service branches in all countries in which the State has foreign offices.
- E. Capability to transfer and distribute currency on required timely basis.
- F. Willingness to handle currency acquisition and distribution at minimal cost.
- G. Maintain a branch office in the State of Mississippi or within 500 miles of the State of Mississippi.

Source: *Miss. Code Ann.* § 27-105-33 (i) (Rev. 1995), § 31-19-5 (Rev. 2007).

Rule 2.3 Application Process. All foreign financial institutions qualifying under the above requirements shall indicate to the State Treasurer at 404 Sillers State Office Building, Jackson, MS 39201 such interest in entering into price contracts for the purchase or exchange of foreign currency and other arrangements for the currency exchange in an amount not to exceed \$500,000. Upon review of indication of interest from the financial institutions, the State Treasurer shall select such institution and contract for the necessary foreign currency purchase, exchanges or arrangements as required by the Department of Economic and Community Development.

Source: *Miss. Code Ann.* § 27-105-33 (i) (Rev. 1995), § 31-19-5 (Rev. 2007).

Rule 2.4 Proposed Effective Date. Pursuant to § 25-43-9, Mississippi Code of 1972, Annotated, the State Treasurer intends to adopt Regulation No. 2 as a permanent rule, effective thirty (30) days after filing.

Source: *Miss. Code Ann.* § 27-105-33 (i) (Rev. 1995), § 31-19-5 (Rev. 2007).

Part 1 Chapter 3: Public Funds Guaranty Pool Rules

Rule 3.1 Purpose. Mississippi Code Ann. Section 27-105-6 creates a public funds guaranty pool as an alternative means for securing public deposits. The purpose of these rules is to establish requirements for admission, participation and administration of the public funds guaranty pool as required by and consistent with Section 27-105-6.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.2 Board Membership and Operations.

A. Initial Board Membership

1. Banking Industry Representatives. Appointment of members in accordance with Section 27-105-6 shall be effective at the time such member is notified by the State Treasurer of such appointment. The Mississippi Bankers Association shall designate the initial terms of the representatives of financial institutions as one (1) year or two (2) year terms. The initial representatives of financial institutions shall serve the term designated by the Mississippi Bankers Association. All subsequent representatives of financial institutions shall serve two (2) year terms unless completing the unexpired term of a member due to a vacancy. All members shall continue to serve until a successor is appointed.

B. Meetings

1. How called. The Board shall meet at the call of the Chairman or upon written request to the Chairman by four (4) members of the Board. Unless circumstances prevent, the Secretary shall notify members of the date, time and location of each meeting at least five (5) calendar days prior to the date of the meeting. Notice of the Board meetings shall be by post, telephone or electronic mail.
2. Quorum. A quorum of the Board shall consist of five (5) members of the Board. Notwithstanding the presence of a quorum, where these rules require certain actions to be taken by a specified number of votes, the action may not be taken unless the requisite number of votes is cast.
3. Presiding Officer. The Chairman shall preside at all meetings of the Board. In the Chairman's absence, the Vice-Chairman shall preside.
4. Executive Session. In the event that information deemed confidential pursuant to Mississippi Code Ann. Section 25-41-7 (4), is to be discussed by the Board, the Board shall meet in executive session pursuant to Mississippi Code Section 25-41-7. The presiding officer shall announce to those in attendance that the Board, due to the confidential nature of material to be discussed, will meet in executive session which is closed to the public. The presiding officer shall set and announce a time specific at which point the meeting will again be opened for public attendance. The Board shall not take any official action during executive session. Minutes of executive session shall be maintained in such a manner as to not disclose the nature of confidential information discussed.

C. Records.

1. Where Maintained. All records of the Board shall be maintained by the State Treasurer in accordance with the requirements of applicable state law and rules and regulations to the receipt and maintenance of public records.
2. Confidential Records. Records submitted from any source which are confidential in nature as provided in Mississippi Code Ann. Section 25-41-7 shall be maintained by the State Treasurer in such a manner as to protect the confidentiality of those records and to prevent the unauthorized dissemination of such information.
3. Access to Records. Persons requesting access to the records of the Board shall submit their request to the State Treasurer who, upon determining that such records are not confidential in nature, shall permit the inspection of such records in accordance with applicable laws, rules and regulations.

D. General Delegation to the Treasurer. The Board, upon the affirmative vote of six (6) members, may delegate such of its duties to the State Treasurer as the Board deems appropriate. In exercising such delegations, the State Treasurer shall be authorized to exercise such powers as are vested in the Board which are necessary to fulfill the delegated duties and responsibilities and may assign any of such duties and responsibilities to his staff as he deems necessary and proper.

E. Votes Required for Board Action.

1. Admission. Pursuant to Mississippi Code Ann. Section 27-105-6, any bank shall be admitted for participation in the public funds guaranty pool if it meets the statutory requirements and the additional criteria adopted by the Board.
2. Increase Collateral Pledge Level. The collateral pledge level of a qualified public funds depository may be increased upon six (6) affirmative votes of the Board.
3. Bank Rating Criteria and Benchmark Levels. The Board, upon the affirmative vote of six (6) members, shall set the initial bank rating criteria and benchmark levels as provided in Section 27-105-6 (6). Any subsequent revision to the bank rating criteria or benchmark levels may be accomplished by the affirmative vote of the six (6) members of the Board.
4. Majority Vote for Other Action. Any action of the Board, other than that requiring a specific affirmative vote, may be accomplished by a majority vote. For purposes of this rule, a majority shall mean the affirmative vote of five (5) members of the Board.

F. Board Officers.

1. Selection. Officers shall be elected by majority vote of the Board. The election of officers shall occur at the first Board meeting held after June 30 of each year.
2. Term. Officers shall serve a one (1) year term to expire upon election of a successor by the Board.
3. Chairman. The Chairman shall preside at meetings of the Board and, together with the Board Secretary, set the agenda for each meeting. The Chairman shall have other duties and powers as may be assigned by the Board by majority vote.

4. Vice-Chairman. The Vice-Chairman shall preside at meetings in the absence of the Chairman. The Vice-Chairman shall exercise such other duties as may be assigned by majority vote of the Board.
5. Secretary. The Secretary shall keep an accurate record of the proceedings and actions of the Board. Together with the Chairman, the Secretary shall set the agenda for each meeting, notify Board members and the public of meetings and distribute appropriate materials to Board members. The Secretary shall also maintain information on the appointment of members to the Board and their term of office.

G. Miscellaneous

1. Attachment to Treasury Department. The Board, for administrative purposes, is attached to the Mississippi Treasury Department.
2. Vacancies. Should any appointed member of the Board become unable to continue to serve on the Board for whatever reason, the member or his representative shall notify the Board of such inability to serve by submitting a letter of resignation to the Secretary. The Secretary shall notify the appropriate appointing authority of the resignation and request that another representative be appointed to serve the remainder of the member's term.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.3 Admission to the Pool.

A. Application by Public Depository.

1. Applications for Participation. To be considered for admission to the public funds guaranty pool, Financial Institutions maintaining a deposit-taking facility in this state whose accounts are insured by the Federal Deposit Insurance Corporation shall submit a completed Application Package to the Board. The Application Package shall include a completed application form and required supplemental information and documents.
2. Application Form. The State Treasurer shall prescribe an appropriate form which solicits from applicants the following information:
 - a. the legal name of the financial institution;
 - b. the address of principal offices of the institution;
 - c. the institution's transit routing number;
 - d. the institution's FDIC insurance certificate number;
 - e. the institution's tax identification number;
 - f. the date the institution was chartered;
 - g. the date the institution commenced banking operations in Mississippi;
 - h. a list of the applicants three (3) senior officers, including a resume' of their experience and qualifications;
 - i. a list of public depositors by account held by the applicant at the end of the preceding calendar quarter;
 - j. for the twelve (12) months preceding the date of application, the average monthly balance of public depositors held for each month;

- k. the legal name and address of the principal offices of all trustee custodians proposed to safekeep eligible collateral pledged to the pool; and
 - l. for the eight (8) quarters immediately preceding the date of the application, a schedule of financial information to be taken from the institution's Report of Condition to the FDIC (call report) as determined by the Board.
3. Supplemental Information and Documents Required. The Application Package shall include the following executed documents:
 - a. copies of the Collateral Security Agreement; and
 - b. copies of the Contingent Liability Agreement.
 4. Completion of Application Form. The application form shall be executed by the president or chief executive officer of the applicant and the individual responsible for preparing the application and contain all the prescribed information to be considered complete. The applicant may withdraw the application at any time prior to the Board taking final action on the application.

B. Admission Criteria.

1. Admission Criteria Generally. To be admitted to the public funds guaranty pool, each applicant must meet or exceed and maintain standards established by Miss. Code Ann. Sections 27-105-5 (2) and 27-105-6 (4) and any additional criteria established by the Board pursuant to its authority at Section 27-105-6 (6) in the area of financial standards as set forth below.
2. Evaluation of Financial Standards.
 - a. The Board may consider any one, all, or any combination of the following guidelines for evaluating financial standards. The guidelines include, but are not limited to, benchmark levels as shall be determined by the Board from time to time calculated by the following ratios taken from the schedule submitted by the applicant pursuant to rule 1.03 (1) (b) 13. The ratios shown below are required by MS Code Sections 27-105-5 and 27-105-6. The Capital Adequacy Ratio and two of the three other ratios in the code must be met before the remaining ratios established by the Board are considered.
 - i. Capital Adequacy Ratio: (MS Code 27-105-5)
 - a) Primary Capital to Assets - 6.5% or more

$$\frac{\text{Total Equity Capital}}{\text{Total Assets}}$$
 - ii. Asset Quality Ratio (MS Code 27-105-6)
 - a) Loans 90+ Days Past Due to Total Loans – less than 2%

$$\frac{\text{Total Loans Past Due 90 Days}}{\text{Total Loans}}$$
 - iii. Earnings Ratio (MS Code 27-105-6)
 - a) Return on Average Assets (average of most recent 4 quarters)- more than .75%

$$\frac{\text{Net Income (annualized four quarter average)}}{\text{Average Assets}}$$

iv. Liquidity Ratio (MS Code 27-105-6)

- a) Loans to Total Assets - 80% or less

$$\frac{\text{Total Loans}}{\text{Total Assets}}$$

b. The five ratios shown below were established by the Board as criteria for acceptance and continued participation in the pool. The Earnings Ratio and the Liquidity Ratio were taken from the MS Code. The Asset Quality Ratio from the MS Code was expanded to allow further analysis of the applicant's credit quality. Three out of five of these ratios must be met and maintained for acceptance and continued participation in the pool.

i. Asset Quality Ratios

- a) Loan Loss Allowance to Non-Performing Loans - 100% or more

$$\frac{\text{Allowance for Loan Losses}}{\text{Total Loans Past Due 90 Days + Total Non-Accrual Loans}}$$

- b) Total Non-Accrual Loans and Loans 90 + Days Past Due to Total Loans - less than 2%

$$\frac{\text{Total Non-Accrual Loans + Total Loans Past Due 90 Days}}{\text{Total Loans}}$$

- c) Non-Performing Assets to Total Assets - less than 1.5%

$$\frac{\text{Total Loans Past Due 90 Days + Total Non-Accrual Loans + Other Real Estate Owned}}{\text{Total Assets}}$$

ii. Earnings Ratio

- a) Return on Average Assets (average of most recent 4 quarters)- more than .75%

$$\frac{\text{Net Income (Annualized four quarter average)}}{\text{Average Assets}}$$

iii. Liquidity Ratio

- a) Loans to Total Assets - 80% or less

$$\frac{\text{Total Loans}}{\text{Total Assets}}$$

The Board may consider such other financial information, including interim reports requested by the Board or the State Treasurer, as it deems necessary or appropriate. However an applicant must pass and maintain

the ratios required in the MS Code plus three of the five ratios described above as established by the Board.

3. Evaluation of Other Factors. The Board may further consider such other information bearing on the applicant's appropriateness for participation in the pool as in the opinion of the Board may be relevant including, but not limited to, the applicant's mode of conducting and managing its affairs, the action of its directors, the investment of the applicant's funds, the safety and prudence of the applicant's management, and any administrative proceeding or court action initiated against the applicant.

C. Processing of Application.

1. Processing by the State Treasurer. Upon receipt of an Application Package, the State Treasurer shall review the contents of the Application Package to ensure completeness. In the event that an Application Package is found to be incomplete, the State Treasurer shall notify the applicant of the deficiency and provide the applicant with sixty (60) calendar days in which to cure the deficiency. If the deficiency is not cured within this time, the State Treasurer shall return the Application Package to the applicant. Upon determining that an Application Package is complete, the State Treasurer shall notify the Chairman that the application is complete and all qualifications are met.
2. Notice to Applicant. The Secretary of the Board shall notify an applicant in writing of any action taken by the Board or by the Treasurer within ten (10) calendar days of such action.

Source: *Miss. Code Ann.* § 27-105-5 (Rev. 2003), § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.4 Determination of Collateral Pledge Level.

- A. Collateral Pledge Level. A qualified public depository shall pledge eligible collateral having a market value not less than the average daily balance of public deposits held by the qualified public depository multiplied by the qualified public depository's collateral pledging level. The collateral pledging level for all qualified public depositories shall be calculated quarterly according to the following schedule:
75% of average daily balance of funds on deposit in the aggregate by the State of Mississippi or any agency or department of the state or by any county, municipality or governmental unit in excess of the Federal Deposit Insurance Corporation insurance limits.
- B. Minimum Pledged Collateral. Notwithstanding the average daily balance, a qualified public depository shall maintain a minimum of pledged eligible collateral whose market value is not less than one hundred thousand dollars (\$100,000).
- C. Temporary Increases in Collateral. A qualified public depository which accepts any public deposit that causes its public deposits to exceed its average daily balance by twenty-five percent (25%) shall be required to pledge additional eligible collateral with the Treasurer within two (2) business days of the deposit. The additional eligible

collateral shall be equal to the difference between the actual public deposits and the average daily balance times the applicable collateral pledge level, including any limitations thereto.

The additional eligible collateral shall not be required if deposit(s) causing the increase are withdrawn within the two (2) business days and prior to pledging of the additional collateral. Additional pledged collateral shall be included in required collateral and held by the Treasurer until the next regular monthly report is filed.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.5 Suspension from Pool.

- A. Notice of Suspension to Qualified Public Depository. The Board may suspend or disqualify any qualified public depository for violation of any of the provisions of the Act or these rules. In the event that the State Treasurer becomes aware that a pool member no longer meets the requirements for continued participation in the pool, the State Treasurer has the authority to require the member financial institution to pledge collateral at a level of 105% of the outstanding balances of public funds on deposit, less the amount insured by the Federal Deposit Insurance Corporation. The qualified public depository shall be notified of the effective date of the suspension within ten (10) business days of the action by the State Treasurer or the Board and not less than thirty (30) days before the effective date.
- B. Effect of Suspension. A qualified public depository which is suspended from participation in the pool shall immediately collateralize all existing public funds and deposits secured by the pool at a level of 105% of the outstanding balances of such funds less the amount of funds insured by the Federal Deposit Insurance Corporation.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.6 Reporting by Qualified Public Depository.

- A. Quarterly Reports
 - 1. Report Contents. Every qualified public depository shall file with the Treasurer on a quarterly basis reports as required by Section 27-105-6 (7). The report shall be filed at the same time the quarterly Report of Condition is filed with the Federal Deposit Insurance Corporation, but not later than the date that the report is due to be filed with the Federal Deposit Insurance Corporation.
 - 2. Amended Reports. Every qualified public depository shall file with the Treasurer an amended report at any time the Report of Condition filed with the Federal Deposit Insurance Corporation is amended. Such amended report shall be filed at the same time it is filed with the Federal Deposit Insurance Corporation.
- B. Change of Name, Address, Charter of the Institution or Ownership

1. Report Contents. Every qualified public depository shall file with the Treasurer, on a form prescribed by him, a report of any change of name, address, charter or ownership of the institution.
2. When Due. The report shall be filed within three (3) business days of such change.

C. Confidential Information. It shall be the responsibility of each qualified public depository from which information or reports is required to inform the Treasurer of information that is confidential. The Treasurer shall design report forms so that any information which is confidential may be placed on separate sheets; only information which is confidential by State or Federal law may be so designated.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.7 Reports and Procedures for Trustee Custodians.

- A. Appointment of Trustee Custodians. Upon being designated as a qualified public depository, the qualified public depository shall appoint one or more trustee custodians for the deposit of eligible collateral by the qualified public depository. The appointment shall be made on a form provided by the Treasurer and shall be delivered to the Treasurer and accepted by him prior to the deposit of any collateral with the trustee custodian.
- B. Notification. The Treasurer shall notify the qualified public depository of the acceptance or denial of an appointment of a trustee custodian.
- C. Report Contents. Every trustee custodian shall submit a quarterly report to the Treasurer providing a description of eligible collateral securities deposited by the qualified public depository, including the par value of the eligible collateral, as well as other information requested by the Treasurer.
- D. When Due. The trustee custodian shall file the report with the Treasurer on a schedule as established by the Treasurer. The report shall include information as of the end of the scheduled quarter.
- E. Amended Reports. A trustee custodian shall submit to the Treasurer an amended report at any time that it determines the information on any prior report was incomplete or inaccurate. The amended report shall be filed not later than ten (10) business days after it determines that any prior report was inaccurate or incomplete.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.8 Withdraw from Collateral Pool Participation.

- A. Voluntary Withdrawal
 1. Voluntary Withdrawal Generally. A qualified public depository may

withdraw from participation in the collateral pool by giving written notice to the State Treasurer, and to all public depositors having deposits at the qualified public depository. The notice shall provide an effective date of withdrawal which shall not be less than one hundred eight (180) calendar days after the date the notice is received by the Treasurer.

2. Contingent Liability of Withdrawing Qualified Public Depository. A qualified public depository shall be contingently liable for any loss to the pool as provided in the contingent liability agreement for a period of six (6) months following the effective date of withdrawal. To assure that an institution can meet its contingent liability, an institution shall continue to maintain pledged collateral in an amount of 105% of the outstanding balances of public funds held less the amount of funds insured by the Federal Deposit Insurance Corporation.

B. Mandatory Withdrawal from Collateral Pool

1. Mandatory Withdrawal Generally. A qualified public depository shall be required to withdraw upon failure to meet the conditions of membership. In order for a depository to be readmitted to the pool, it must continue to submit the reports required in Section 1.06 of the Public Funds Guaranty Pool Rules and meet the conditions of the membership. If a depository is required to withdraw from the pool more than once, the depository must meet the conditions of membership for two consecutive quarters in order to be readmitted to the pool.
2. Contingent Liability of Withdrawing Qualified Public Depository. A qualified public depository shall be contingently liable for any loss to the pool as provided in the contingent liability agreement for a period of twelve (12) months following the effective date of withdrawal. To assure that an institution can meet its contingent liability, an institution shall continue to maintain pledged collateral in an amount of 105% of the outstanding balances of public funds held less the amount of funds insured by the Federal Deposit Insurance Corporation.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Rule 3.9 Payment of Losses.

- A. Priority for Multiple Losses. In the event a default or insolvency occurs to more than one qualified public depository, claims of public depositors shall have priority based on the date of the default or insolvency. Claims arising from a default or insolvency occurring earliest in time shall have priority over claims arising subsequently.
- B. Payment. The Treasurer shall establish the priority of claims arising from multiple defaults or insolvencies and pay public depositors based on the priority established.

Source: *Miss. Code Ann.* § 27-105-6 (Rev. 2000), § 31-19-5 (Rev. 2007).

Chapter 4: Investment Policy Statement

Rule 1.1 State Investment Policy Statement

This Investment Policy Statement (IPS) for the General Fund of State of Mississippi, managed by the Office of the State Treasurer, operates pursuant to Miss. Code Ann. § 27-105-33.

INTRODUCTION AND OVERVIEW

The purpose of this Statement of Investment Policy is to identify and describe the policies and procedures governing the investment activities of the General Fund of the State of Mississippi, managed by the Office of the State Treasurer, operating pursuant to Miss. Code Ann. § 27-105-33.

The goal of this investment policy is to clearly describe the duties of the Office of the State Treasurer pertaining to the investment of the excess funds of the State General Fund. This policy will set guidelines for the prudent management of the General Fund, describe realistic investment parameters and goals to protect principal, provide guidance to ensure investments conform to all state statutes governing the investment of public funds, and establish expectations for generally acceptable returns at a suitable level of risk that matches the nature of the General Fund.

GOVERNING AUTHORITY

The Office of the State Treasurer Investment Division shall be responsible for developing and reviewing the investment process and objectives of the Office of the State Treasurer within the framework provided by the statutes of the State of Mississippi (Miss. Code Ann. § 27-105-33). The Office of the State Treasurer shall monitor policies, set general strategies, and implement necessary monitoring mechanisms. Investment officers shall endeavor to identify and select authorized investment options that meet the statutory's criteria and fall within the framework of the investment objectives.

DELEGATION OF AUTHORITY AND INVESTMENT RESPONSIBILITIES

- a. The State Treasurer of Mississippi, who shall be responsible for all investment transactions, may delegate trading authority to qualified Treasury staff. The titles of the individuals currently authorized to make investments and to order the receipt and delivery of investment securities for this account on behalf of the State include: the State Treasurer of Mississippi, Deputy Treasurer, Chief Investment Officer, and Lead Investment Officer.
- b. The State Treasurer may engage one or more outside firms to provide advice or to assist with the investment management of the General Fund. Should any firm be hired to provide advice or assistance regarding the management of the General Fund, that firm shall be a registered investment advisor under the Investment Company Act of 1940 and

have extensive experience in the investment management of state and local government funds.

- c. External investment managers must have the approval of the State Treasurer and the Executive Director of the Department of Finance and Administration (DFA). Investments are limited to those listed as Authorized Investments in the Investment Policy

SCOPE OF THE INVESTMENT POLICY

The provisions of this Investment policy apply to all financial assets and funds held in the General Fund for the Office of the State Treasurer.

PRIMARY INVESTMENT OBJECTIVES

The General Fund shall be managed in a manner consistent with the requirements set forth in Statement Nos. 31 and 59 of the Governmental Accounting Standards Board (“GASB”) and to accomplish the following hierarchy of objectives:

1. Preservation of Principal – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by adhering to all restrictions of the funds established by law and this policy. The objective will be to mitigate interest rate risk and credit risk. The portfolio will be structured so that security maturities provide cash requirements for ongoing operations. Investments will be limited to those listed in the Authorized Investments section of this Investment Policy.
2. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active markets.
3. Yield – The investment portfolio shall be managed with the objective of obtaining a market rate of return taking into consideration cash flow requirements of the General Fund.

ETHICS AND CONFLICT OF INTEREST

Authorized investment officers and employees in investment-making roles shall refrain from personal business activity that could (a) conflict, or give the appearance of a conflict or (b) impair their ability to make impartial investment decisions. . Further, no Investment Department staff member involved should use the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that would create an improper influence upon the public official or employee with respect to that person’s duties.

STANDARD OF PRUDENCE

1. The standard of prudence to be applied by their personnel of the Investment Division is the prudent investor rule as stated from Miss. Code Ann. § 91-9-601, et. seq.
2. The authorized investment officers will conduct themselves in conformance with the Chartered Financial Analyst (CFA) Code of Ethics and Standards of Professional Conduct (Code and Standards), as current at the time of their transactions.

All investment activities within the General Fund shall be conducted with judgment and care, under circumstances currently prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

All participants in the General Fund investment activities shall act responsibly as custodians of the public trust. Investment officials shall recognize that the Fund is subject to public review and evaluation. The portfolio shall be designed and managed with a degree of prudence and professionalism that is worthy of the public trust.

INTERNAL CONTROLS

The Office of the State Treasurer has established a system of internal controls designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees of the Office of the State Treasurer. Controls include: separation of duties, separation of transaction authority from compliance check, minimized number of authorized investment officials, documentation of transaction strategies, and adherence to the established policy and procedures.

The Office of the State Treasurer is audited annually by the Office of the State Auditor to test internal controls and compliance to state laws, regulations, contracts, and grant agreements. The State Auditor conducts the audit in accordance with Government Auditing Standards and produces an annual Financial Audit Management Report.

AUTHORIZED INVESTMENTS

The Investment Department staff is authorized to invest in the asset classes described in Mississippi Code Ann. § 27-105-33, subject to any additional conditions specifically set forth in this Policy:

1. Certificates of Deposit – Deposits at financial institutions in the State of Mississippi that are Qualified Public Depositories, invested and allocated on a pro rata basis per Miss. Code Ann. §27-105-9, and no depository shall be more than 4% of the depositor’s Mississippi based deposits, unless, in the discretion of the Treasurer, the best interest of the State can be served to increase its earnings and decrease its expenses in the handling of the state funds.
2. United States (U.S.) Treasury Obligations – U.S. Treasury bills, notes, bonds or any other obligations issued by the U.S. Treasury or any other obligation guaranteed as to principal and interest by the U.S

3. Stable Net Asset Value Government or Treasury Only Money Market Mutual Funds as defined in §27-105-33 (e)
4. U.S. Government Agencies, Instruments and Government Sponsored Enterprises (GSEs) – Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality. For example, but not limited to, FNMA, FHLMC, FFCB, FHLB, GNMA, FAMCA, and SBA.
5. Direct Security Repurchase Agreements – Repurchase agreements and reverse repurchase agreements may be transacted with authorized dealers and banks that are rated investment grade by one or more nationally recognized rating agency or are determined by the Treasurer to have adequate capital and liquidity, with maximum exposure per institution determined by the Office of the State Treasurer. Repurchase agreements must be collateralized by U.S. Treasuries or U.S. Government Agencies, Instruments and Government Sponsored Enterprises (GSEs) and must have a market value of at least 102% of the investment. Collateral must be held by a third-party custodian approved by the Treasurer and marked-to-market daily.
6. Bonds issued by Country of Israel – Investments in such instruments shall be denominated in U.S. currency; must be of investment grade as rated by at least one nationally recognized statistical rating organization.
7. Corporate Bonds – Bonds, notes or other obligations issued by entities organized under the laws of the United States or a state thereof which, at the time of purchase, have a long-term rating of at least ‘A+’ by Standard & Poor’s and an equivalent rating by at least one other Nationally Recognized Statistical Rating Organization (NRSRO) provided that the issue is not of a subordinated nature.
8. Taxable Municipal Bonds – Bonds, notes and other obligations of any state or political subdivision thereof, provided that, at the time of purchase, have a long-term rating of at least ‘A+’ by Standard & Poor’s and an equivalent rating by at least one other Nationally Recognized Statistical Rating Organization (NRSRO), and are not of a subordinated nature.
9. Corporate short-term obligations of corporations or of wholly owned subsidiaries of corporations (Commercial Paper), whose short-term obligations are rated A-1 or better by Standard & Poor’s, rated P-1 or better by Moody’s Investment Service, F-1 or better by Fitch Ratings, Ltd; or the equivalent of these ratings if assigned by another U.S. Securities and Exchange Commission designated Nationally Recognized Statistical Rating Organization.

SECURITIES LENDING

The Office of the State Treasurer may lend any securities in the General Fund considering first probable safety of capital and then probable income to be derived. The Office may utilize its custodian bank to conduct securities lending activities.

PROHIBITED INVESTMENTS AND TRANSACTIONS

The General Fund is expressly prohibited from the following investments and investment practices (this is not an exclusive list)

1. Derivative Securities such as futures, options, and swaps.
2. Short Sales (selling a specific security before it has been legally purchased).

DIVERSIFICATION PARAMETERS

The General Fund portfolio shall be structured to diversify investments to reduce the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or a specific type of security. The maximum percentage of the portfolio permitted for each type of security, based on the book value of the portfolio at the time of purchase (unless otherwise specified) is as follows:

U.S. Treasuries	100% maximum
U.S. Government Agencies, Instruments and GSEs	100% maximum, each issuer is limited to no more than 40% of the book value of the portfolio
Stable Net Asset Value Government or Treasury Only Money Market Mutual Fund	Total dollar amount of funds invested in all money market mutual funds at any one time shall not exceed 20% of the total dollar amount of funds invested. The General Fund cannot make up more than 10% of any money market mutual fund
Repurchase Agreements	100% maximum, each counterparty is limited to no more than 25% of the book value of the portfolio
Bonds issued by country of Israel	Not to exceed \$20,000,000 at any time
Corporate Bonds	Not to exceed 30% of the book value of the portfolio, issuer limited to 5% of the book value of the portfolio – Total corporate debt, including commercial paper, not to exceed 30%
Taxable Municipal Bonds	Not to exceed 10% of the book value of the portfolio, issuer limited to xx% of the book value of the portfolio
Commercial Paper	Not to exceed 30% of the book value of the portfolio, issuer limited to 5% of the book value of the portfolio – Total corporate debt, including corporate bonds and commercial paper, not to exceed 30%
Certificates of Deposit	Subject to the limitations set forth in §27-105-33 (a)

MATURITY PARAMETERS

To provide for the safety and liquidity of the General Fund, no investment shall have a maturity date at the time of purchase longer than:

U.S. Treasuries	Not to exceed 10 years
U.S. Government Agencies, Instruments and GSEs	Not to exceed 10 years
Repurchase Agreements	Not to exceed 90 days
Bonds issued by country of Israel	Not to exceed 3 years
Corporate Bonds	Not to exceed 5 years
Taxable Municipal Bonds	Not to exceed 5 years
Commercial Paper	Not to exceed 270 days
Certificates of Deposit	Not to exceed 1 year

When referring to mortgage-backed security types, including but not limited to Agency Mortgage-Backed Securities (MBS), Collateralized Mortgage Obligations (CMOs) or Agency Commercial Mortgage-Backed Securities (CMBS), and to those issued by the Small Business Administration (SBA); the maximum maturity will be evaluated as the Weighted Average Life (WAL) not to exceed ten (10) years at time of purchase.

INVESTMENT TRANSACTION PARAMETERS

All investment transactions by Office of the State of Treasurer (including, but not limited to, repurchase agreements, CDs, purchases and sales of U.S. government and agency obligations, and purchases and sales of obligations of corporations) shall be transacted by competitive bidding whenever possible and follow the established Internal Trading Policy guidelines.

Investments longer than 30 days must yield no less than the equivalent bond yield for comparable U.S. Treasury obligations, at time of purchase.

SAFEKEEPING AND CUSTODY

All securities in the General Fund portfolio shall be held in the name of the Office of the State Treasurer and, with the exception of securities lent pursuant to a securities lending policy, shall be free and clear of any lien. Further, all investment transactions will be conducted on a delivery versus payment basis. The custodian shall issue a safekeeping receipt to the State Treasurer listing the specific instrument, rate, maturity, and other pertinent information. On a monthly

basis, the custodian will also provide reports which list all securities held for the General Fund portfolio, the book value of holdings and the market value as of month end.

AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALER

The Office of the State Treasurer, per the requirements of Miss. Code Ann. § 27-105-5, will annually certify financial institutions as a qualified public funds depository, eligible to hold public deposits such as certificates of deposits for the General Fund. Approved banks must collateralize all public funds at a minimum of 105%, unless approved to participate in the public funds guaranty pool and collateralize per the guidelines established by the Guaranty Pool Board, under the authority of Miss. Code Ann. § 27-105-6.

A list shall be maintained of approved security broker/dealers, which shall be utilized by authorized investment officers. These may include primary, super-regional, and/or regional dealers that qualify under SEC rules. Such security brokers and dealers will be subjected to an appropriate investigation by the staff of the Office of the State Treasurer, including but not limited to, a review of the firm's financial statements and the background of the sales representative. All broker/dealers who desire to become qualified for investment transactions must supply the following, initially and on a periodic basis upon request to Treasury staff:

1. Annual audited financial statements (financial strength and capital adequacy of firm or publish statement of condition).
2. Proof of FINRA numbers for broker/dealer and firm.
3. Written acknowledgement of this policy.
4. Services provided by firm, including research services.
5. Signed copy of Treasurer's trading authority.
6. Other documentation deemed necessary by the Office of the State Treasurer.

COLLATERALIZATION

All certificate of deposits held with qualified public depositories must be collateralized at 105% market value of the investment at an approved safekeeping facility or 75% market value of the investment if the public depository is a member of the Guaranty Pool.

INVESTMENT PROGRAM REPORTING

The Office of the State Treasurer Investment Division shall maintain accurate, complete, and timely records of all investment activities. An investment report shall be submitted to the State Treasurer summarizing the previous month's activity. This report shall include a listing of the existing portfolio in terms of investment securities, book value, maturity date, coupon rate, yield, durations, and market value.

Compliance monitoring and reporting shall be performed monthly to confirm adherence to the investment policy and state statute independent of the Investment Division.

INVESTMENT POLICY ADOPTION

This policy is adopted as of July 3, 2023

David McRae

State Treasurer