

STATE OF HAWAII

Treasury Investment Policy

The purpose of this investment policy is to outline objectives, provide guidelines, and set forth responsibilities and reporting procedures for the investment of cash held in the State of Hawai'i Treasury.

I. General Authority

Legality

The investment program shall be operated in conformance with federal, state, and other legal requirements, including Chapters 36 and 38, Hawaii Revised Statutes.

II. Scope

This policy applies to the investment of all State funds within the State Treasury administered by the Department. Proceeds from certain bond issues, as well as separate foundation or endowment assets, may be covered by a separate policy.

This policy may be more restrictive than the governing statutes authorizing the investment program.

III. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

A. *Safety*

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. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk

The State will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and managers/advisors with which the State will do business in accordance with Section V.

- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2. Interest Rate Risk

The State will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rate, by:

- Limiting the maturity of securities in the portfolio in accordance with Section VIII.C. of this policy.

B. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by optimizing the portfolio structure so that the portfolio's cash flow reasonably matches the cash needs to meet anticipated demands (static liquidity) without portfolio losses. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

C. *Yield/Total Return*

The investment portfolio shall be designed with the objective of attaining a market yield throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above and securities shall generally be held until maturity. Trading should be limited unless the trades benefit repositioning the portfolio in the following scenarios:

- A security with materially deteriorating credit may be sold early to minimize permanent loss of principal.
- Liquidity needs of the portfolio require that the security be sold. Trading securities for the sole purpose of realizing trading profits is prohibited.

D. *Local Considerations*

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State pursuant to Section 38-2, Hawaii Revised Statutes

IV. Standards of Care

A. *Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

B. *Ethics and Conflicts of Interest*

Appointed officials and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose on an annual basis in writing, any material interests in financial institutions during the year with which they conduct business. Employees and investment officials shall also disclose any personal investment transactions with the same individual with whom business is conducted on behalf of the State.

The Director of Finance has the final authority to determine appropriateness of engagement with parties that may pose ethical risk to the department.

C. *Delegation of Authority*

In accordance with Sections 36-1 and 36-21, HRS, the responsibility and authority for maintaining and managing the State treasury and safekeeping of all moneys in the treasury and investment thereof, resides with the state Director of Finance. Management responsibility for the overall investment program lies with the Director of Finance, who shall establish procedures for the operation of the investment program.

Authority to manage the investment program is granted to the Administrator of the Financial Administration Division, Department of Budget and Finance, hereinafter referred to as "investment officer."

Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this

investment policy. Such procedures shall include explicit delegation of authority to employees responsible for investment transactions, as outlined in Appendix C. At least 2 individuals shall sign off on portfolio management activities. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer or his/her designee shall be responsible for all transactions undertaken and review the daily investment worksheet to regulate the activities of subordinate officials.

V. Sustainability

The State Treasury seeks to invest all funds under its control in a manner that supports long term core values of a free, equal and sustainable society. Towards that end, the State Treasury intends to refrain from investing in issuers whose businesses may contradict with these core values. The securities in this category may change from time to time.

The Director of Finance has the final authority to determine appropriateness of specific issuers that may be excluded from consideration if deemed inconsistent to the State's commitment of supporting sustainability.

VI. Investment Service Vendors

A list will be maintained of financial institutions and depositories (as defined in HRS Section 38-1) authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected based on this Policy. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All Financial Institutions and Broker/Dealers authorized to do business with the state, shall submit a written certification to the Director of Finance annually, stating that they are in compliance with Section VI of this Investment Policy.

All Financial Institutions, Broker/Dealers and Investment Managers authorized to do business with the state will notify the Director of Finance immediately in the event of any known exception to this Investment Policy.

A. *Authorized Broker/Dealers*

All broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

1. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
2. Proof of FINRA (Financial Industry Regulatory Authority) membership
3. Proof of state registration.

4. Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties).
5. Certification of having read and understood and agreeing to comply with the State's investment policy.
6. Fully executed contract for services with the Department of Budget and Finance.
7. Evidence of insurance coverage.

Securities broker/dealers authorized to do business with the State should meet the following qualifications:

1. Be among the 50 largest U.S. agencies/GSE securities brokers/dealers in the U.S. as compiled by Bloomberg, or a Primary Dealer listed by the Federal Reserve Bank of New York (https://www.newyorkfed.org/markets/pridealers_current.html).
2. Have at least five years of business operations.
3. Have capital in excess of the early warning level established by the Securities and Exchange Commission and the New York Stock Exchange. Provide proof of FINRA membership.
4. Evidence of required insurance coverage.

The State may enter into agreements with approved broker/dealers who meet the qualifications above, to execute investment transactions to buy and sell investments on behalf of the State. Broker/dealers who do not meet the qualifications stated above may conduct investment business with the State on written approval of the Director of Finance.

B. *Qualification of Banks, Depositories and Financial Institutions*

Banks and financial institutions authorized to do business with the State should meet the following qualifications:

1. Any bank doing business in Hawai'i or a top 50 U.S. bank ranked according to total assets.
2. Be a member of the Federal Deposit Insurance Corporation (FDIC).
3. Banks doing business outside of the State must have had positive net income each of their past three fiscal years.
4. Banks doing business outside of the State need to be considered Well Capitalized as defined by the FDIC.

Banks meeting these qualifications are qualified to conduct business with the State, including accepting deposits, buying and selling other investments, and safekeeping securities.

Banks which do not meet the qualifications stated above may conduct business with the State on written approval of the Director of Finance.

C. *Qualification of Non-discretionary Advisors*

Non-discretionary investment consultant must meet the following minimum qualifications:

1. Must be registered with the Securities and Exchange Commission as an investment advisor.
2. Have been engaging in non-discretionary advisory services to government entities for at least the past 10 years continuously.
3. Have at least \$100 billion of assets under non-discretionary advisement for governmental entities.

D. *Notice to Financial Institutions, Broker/Dealers and Non-Discretionary Advisors*

All financial institutions, broker/dealers and investment advisors conducting business with the State shall receive the following information and documents:

1. A copy of the State's Investment Policy and the underlying investment and collateral statutes as covered in Section 36-21 and Chapter 38, HRS. Diversification guidelines (Appendix A of the Policy) would apply on a manager-by-manager basis.
2. A letter which describes the relationship the State is establishing with the financial institution, investment dealer or manager. The letter will contain information, as indicated below, pertinent to the particular relationship:
 - Names and positions of State employees authorized to buy and sell investments on behalf of the State.
 - Names and positions of State employees authorized to wire or otherwise transfer funds out of State accounts.
 - Names and positions of State employees authorized to make changes to the State's instructions regarding authority, delivery instructions, or other critical aspects of the relationship.
 - Names and positions of State employees who shall be notified if the financial institution, broker/dealer or investment manager detects any activity that it believes may be irregular given its understanding of the State's investment policy and practices.
 - Delivery instructions for investments and proceeds from maturities when no specific delivery instructions are given at the time of investment or maturity.

All documents described above (the Investment Policy, the investment statutes, the supplemental guidelines if one is provided, and the letter describing the relationship) shall be sent to the appropriate financial institution, broker/dealer and investment advisor initially and as revised. Financial institutions, broker/dealers and investment advisor shall be immediately notified, both verbally and in writing, of a change in the status of any employee authorized to conduct investment business for the State with that institution.

VII. Safekeeping and Custody

A. *Safekeeping and Custody*

Securities will be held by an independent third-party safekeeping institution selected by the State. All securities will be held in the Custodian's name for the benefit of the State of Hawai'i. All safekeeping institutions shall annually provide a copy of its most recent report on internal controls – Service Organization Control Report (SOC 1) prepared in accordance with the Statement of Standards for Attestation Engagements (SSAE No. 16). Non-deliverable securities are exempt from the above. All financial institutions qualified to do business with the State by the conditions of this investment policy are authorized to hold investments in safekeeping in the U.S. on behalf of the State. All investments owned by the State will be held in safekeeping by a Federal Reserve Bank, Federal Home Loan Bank or third-party financial institution so qualified.

B. *Delivery vs. Payment*

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the State's safekeeping institution prior to the release of funds.

C. *Internal Controls*

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed annually and updated as needed. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal control structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures or alternatively, compliance should be assured through the State's annual independent audit.

VIII. Authorized Investments

Allowable securities are included in Appendix B of this document in accordance with Section 36-21, HRS, as amended. The allowable securities shall be denominated in United States (U.S.) dollars.

Maximum limits on sector and issuer are included in Appendix A of this Policy.

IMPORTANT NOTE: If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Officer will apply the general objectives of safety, liquidity, yield and legality to make the decision.

A. *Prohibited Investments*

The following types of investments are prohibited: investment in split-rated securities where there is a difference between the ratings on the principal component and interest component of a bond issue; investment in leveraged securities where the principal or interest received may be a multiple of the principal amount or of the interest coupon if certain conditions are met; investment in bonds where the coupon is dependent on the level of equity market performance or currency exchange rates; and any securities prohibited per revised Hawaii Statute Title 5, section 36-21 - Short-term investment of state moneys (Appendix B)

B. *Collateralization*

Section 38-3, HRS, describes collateral requirements for public funds. In accordance with statutes and GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

To fully secure state funds, the market value of pledged collateral must equal or exceed the deposit amount plus accrued interest. For purposes of determining the sufficiency of collateral, the market value of collateral will be equal to the lesser of the market value of the collateral based on reputable pricing sources or its par value.

Margins have been established for each type of collateral based on the potential variability of market values, availability of accurate pricing and interest rate risk. The following valuations will apply for each type of permitted collateral. Collateral is listed in the order that it appears in HRS 38-3:

1. Obligations of the State and Counties of Hawaii: 90%
2. Obligations of agencies of the State or Counties of Hawaii: 90%
3. Obligations of improvement districts or frontage improvement of any County of Hawaii: 85%
4. United States Treasury Securities: 95%
5. United States Government Sponsored Enterprise Securities: 95%

6. Warrants of the State of Hawaii: *(Note: Not accepted as collateral, State no longer issues warrants.*
7. State Municipal Obligations: 90%
8. City and County Municipal Obligations: 90%
9. Certificates of Deposit issued through Certificate of Deposit Account Registry Services (CDARS) *(Note: Not accepted as collateral.)*
10. Assets eligible to secure advances from the Federal Reserve Banks under the regulations of the Federal Reserve Board (provided that not more than fifty per cent of the deposits held by a depository may be secured by assets of this class): 85%

Banks will maintain mandated collateral levels at all times. If the value of the pledged collateral falls below the specified requirements, the bank will provide additional collateral within 48 hours to meet the collateral requirements.

Pledged collateral must maintain a long-term rating of single-A or better by all NRSROs that rate the issuer.

IMPORTANT NOTE: If the long-term credit rating of a pledged security is subsequently downgraded below A, the security shall be replaced with compliant collateral within 48 hours.

IX. Investment Parameters

A. *Pooling of Funds*

Except for cash in certain restricted and special funds, it is the policy of the State to consolidate cash and reserve balances from all funds to optimize investment earnings (while evaluating in priority order, safety, liquidity and yield) and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation in the State's centralized investment pools.

B. *Diversification*

It is the policy of the State to diversify its investment portfolios. To reduce risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all State funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment officer for all funds invested in the state treasury.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Maturities selected shall provide for stability of income and reasonable liquidity.

For short term investment of funds:

1. Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable.

2. U.S. Treasury bills.
3. Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size to limit potential annual credit related losses.
4. The investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit, and shall conduct an annual review of these guidelines, evaluating the probability of market and default risk in various investment sectors as part of its considerations. See Appendix A (Diversification Guidelines).

C. *Maximum Maturities*

To the extent possible, the State shall attempt to match its investments with anticipated cash flow requirements. The following maturity guidelines will apply to individual investment transactions and to the portfolio as a whole.

1. Individual security maturities, as well as the maturity dates for any underlying securities, shall not exceed five years (from the trade settlement date) in accordance with Section 36-21, HRS.
2. For internally managed funds, each investment will be made with the intention of holding the investment to maturity, subject to any of the exceptions outlined in Section III.C. of the Policy.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

D. *Prohibition Against Speculative Activities*

This policy specifically prohibits borrowing funds for the sole purpose of leveraging the portfolio. This policy prohibits the State from engaging in any investment activity that would be considered speculative according to the principles of conservative investment management.

Section 36-21, HRS, prohibits investments in selected derivative-like products.

E. *Best Execution*

The investment officer shall seek best execution in all transactions of investment instruments on the secondary market through sourcing of bids from multiple brokers.

X. Reporting

A. *Internal Reporting*

The investment officer with the assistance of a delegated 3rd party advisor if one is appointed, shall prepare an investment report at least quarterly, to the Director of Finance. The report shall contain the following information:

1. Inventory of portfolio investments as of the date of the report, which includes: dollar amount, purchase and maturity dates, coupon rates, type of investment, and accounting fund classification, along with the percentage mix of the portfolio by type of investment.
2. Distribution of investment portfolio maturities as follows:
 - a. Six (6) months or less;
 - b. Greater than six (6) month to one (1) year;
 - c. Greater than one (1) year and less than two (2) years;
 - d. Greater than two (2) years and less than three (3) years;
 - e. Greater than three (3) years and less than four (4) years;
 - f. Greater than four (4) years and less than five (5) years;
 - g. Greater than five (5) years (exception for specific donated security).
3. Notations, which shall include the amounts and reasons for any exceptions to the investment policy.
4. Status of any investments that might require management attention (such as investments affected by a credit rating change, or similar circumstances that could have an effect on the value and liquidity of the investment).
5. A management summary that will describe the status of the portfolio. The management summary should be presented in a manner that will allow the Director of Finance to determine whether investment activity during the month being reported on has adhered to this investment policy.

B. *External Reporting*

The investment advisor will provide monthly reports of its management of the account assets and will meet in person with the investment officer and Director of Finance at least annually.

The Investment advisor or professional firm providing any external reporting, will notify the Director of Finance immediately in the event of any known exception to this Investment Policy.

C. *Market Value*

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

X. Policy Considerations

A. *Policy Exceptions*

This policy provides guidelines for the management of the short-term investment portfolio. Under some circumstances, investment transactions that are appropriate for the State and entirely within the spirit of this investment policy as described in the General Objectives section may not fall within the prescribed quantitative guidelines contained in this policy. When the investment officer determines that an investment transaction is in the best interest of the State and is consistent with the objectives of this investment policy, the transaction is permitted even though it may not be consistent with the quantitative guidelines, subject to the following controls:

- Exceptions shall be documented and approved by the investment officer. The investment officer shall have the authority to approve exceptions of up to 10% above the limit guidelines outlined in Appendix A (Diversification Guidelines) of the investment policy. The Investment Officer shall approve exceptions prior to the investments being made. However, it shall be understood that fluctuations in the daily investment balances, early redemption(s) of certain securities, etc. may result in exceptions to the investment policy subsequent to investments being made.
- Significant exceptions, those in excess of the amounts authorized above, shall be approved by the Director of Finance.
- Inadvertent breach of the policy shall be immediately reported to the Director of Finance.

B. *Exemption*

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

C. *Amendments*

This policy shall be reviewed on an annual basis to ensure that it remains consistent with the overall objectives of the State and within current financial trends. The policy may be reviewed and updated more frequently if conditions dictate. Any changes must be approved by the Director of Finance.

XI. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the Director of Finance and reviewed at a minimum, on an annual basis.

This State of Hawai'i Treasury Investment Policy has been reviewed and approved:



Director of Finance

AUG 22 2022

Date

Appendix A - Diversification Guidelines

1. By depository as defined in Section 38-1 HRS:

No more than 60% of Treasury deposits shall be deposited in any one depository, as described in Section 38-2, HRS.

2. By types of investment instruments (as a percentage of total invested funds):

- a. U.S. Treasuries: No limit
- b. Repurchase Agreement: Up to 50%
- c. Certificate of Deposits: 50%
- d. U.S. Government Sponsored Enterprises, Federal Agencies: Up to 75%
- e. Money Market Funds: Up to 10%
- f. Commercial Paper: Up to 25%
- g. Bankers Acceptances: Up to 10%

3. By issuer of investment instrument (as a percentage of total invested funds)

- a. U.S. Treasuries: No limit
- b. Repurchase Agreement: Up to 30%
- c. Certificate of Deposits: Up to 40%
- d. U.S. Government Sponsored Enterprises, Federal Agencies: Up to 50%
- e. Money Market Funds: Up to 3% per fund
- f. Commercial Paper: Up to 2% per issuer.
Additionally, the State will limit commercial paper investments to financial services and other service-oriented companies.
- g. Bankers Acceptances: Up to \$50 million per issuer

Appendix B – Authorized Securities

<https://law.justia.com/codes/hawaii/2020/title-5/chapter-36/>

2020 Hawaii Revised Statutes

Title 5. State Financial Administration

36. Management of State Funds

36-21 Short-term investment of state moneys.

Universal Citation: HI Rev Stat § 36-21 (2020)

§36-21 Short-term investment of state moneys. (a) The director of finance may invest any moneys of the State which in the director's judgment are in excess of the amounts necessary for meeting the immediate requirements of the State and where in the director's judgment the action will not impede or hamper the necessary financial operations of the State in:

(1) Any bonds or interest-bearing notes or obligations:

(A) Of the State (including state director of finance's warrant notes issued pursuant to chapter 40);

(B) Of the United States;

(C) For which the faith and credit of the United States are pledged for the payment of principal and interest;

(2) Federal Farm Credit System notes and bonds;

(3) Federal Agricultural Mortgage Corporation notes and bonds;

(4) Federal Home Loan Bank notes and bonds;

(5) Federal Home Loan Mortgage Corporation bonds;

(6) Federal National Mortgage Association notes and bonds;

(7) Tennessee Valley Authority notes and bonds;

(8) Securities of a mutual fund whose portfolio is limited to bonds or securities issued or guaranteed by the United States or an agency thereof or repurchase agreements fully collateralized by any such bonds or securities;

(9) Securities of a money market mutual fund that is rated AAA, or its equivalent, by a nationally recognized rating agency or whose portfolio consists of securities that are rated

as first tier securities by a nationally recognized statistical rating organization as provided in 17 Code of Federal Regulations section 270.2a-7;

(10) Federally insured savings accounts;

(11) Time certificates of deposit;

(12) Certificates of deposit open account;

(13) Repurchase agreements with federally insured banks, savings and loan associations, and financial services loan companies;

(14) Commercial paper with an A1/P1 or equivalent rating by any national securities rating service; and

(15) Bankers' acceptances with an A1/P1 or equivalent rating by any national securities rating service;

provided that for authorized investments with stated maturity dates, the investment, as well as the underlying securities of those investments, are due to mature not more than five years from the date of investment. Income derived from those investments shall be a realization of the general fund; provided that income earned from moneys invested by the general funds, special funds, bond funds, and trust and agency funds on an investment pool basis shall be paid into and credited to the respective funds based on the contribution of moneys into the investment pool by each fund. As used in this section, "investment pool" means the aggregate of state treasury moneys that are maintained in the custody of the director of finance for investment and reinvestment without regard to fund designation.

(b) Except with respect to an early withdrawal penalty on an investment permitted by this section, the amount of such penalty being mutually agreed at the time of acquisition of such investment, no investment permitted by this section shall require or may in the future require payments by the State, whether unilateral, reciprocal, or otherwise, including margin payments, or shall bear interest at a variable rate which causes or may cause the market price of such investment to fluctuate; provided that such limitation shall not apply to money market mutual funds which:

(1) Invest solely in:

(A) Direct and general obligations of the United States of America; or

(B) Obligations of any agency or instrumentality of the United States of America the payment of the principal and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America;

(2) Are rated at the time of purchase "AAAm-G" or its equivalent by Standard & Poor's Ratings Group; and

(3) Are open-end management investment companies regulated under the Investment Company Act of 1940, as amended, which calculate their current price per share pursuant to Rule 2a-7 (17 Code of Federal Regulations section 270.2a-7) promulgated under such act.

(c) Furthermore, the State shall not acquire any investment or enter into any agreement in connection with the acquisition of any investment or related to any existing investment held by the State, which would require or may in the future require any payment by the State, whether unilateral, reciprocal, or otherwise, such as swap agreements, hedge agreements, or other similar agreements. For purposes of this section, a swap or hedge payment is any payment made by the State in consideration or in exchange for a reciprocal payment by any person, such as a variable rate payment in exchange for a fixed rate payment, a fixed rate payment in exchange for a variable rate payment, a payment when a cap or a floor amount is exceeded, or other similar payment. [L 1945, c 59, §1; am L 1947, c 244, §1; RL 1955, §132-12; am L 1959, c 119, §1; am L Sp 1959 2d, c 1, §14; am L 1963, c 114, §1; HRS §36-21; am L 1977, c 105, §1; am L 1982, c 155, §1; gen ch 1985; am L 1988, c 78, §1; am L 1993, c 107, §1; am L 1995, c 109, §1; am L 1996, c 117, §1; am L 1997, c 47, §1; am L 1998, c 119, §1 and c 273, §1; am L 1999, c 160, §23; am L 2000, c 26, §1; am L 2001, c 39, §1; am L 2009, c 79, §§31, 34(4); am L 2010, c 127, §2; am L 2015, c 35, §50; am L 2017, c 9, §2]

Appendix C – Delegation**State of Hawai'i, Department of Budget & Finance
Investment Program Delegation of Authority**

Authority: HRS 26-8, Department of Budget and Finance; HRS Chapter 36, Management of State Funds; HRS Chapter 38, Deposits of Public Funds.

Purpose: Pursuant to the State of Hawai'i Treasury Investment Policy, Section IV (Standards of Care), C (Delegation of Authority), the authority to manage the investment program is granted from the Director of Finance, to the Administrator of the Financial Administration Division. This is to document the Division Administrator's Delegation of Authority to employees responsible for routine investment transactions.

Activity	Position Delegated To	Alternate
Daily determination of excess funds to invest (investment management worksheet preparation)	Accountant III	Accountant V
Daily investment management worksheet review	Funds Custody Manager	Accountant V
Daily investment decisions	Funds Custody Manager	Accountant V
Obtaining quotes	Accountant III	Accountant V
Placing orders with brokers/banks	Funds Custody Manager	Accountant V
Instruction to Custody Bank	Accountant III	Accountant V
Movement of funds for investment purposes (2 authorized required)	Accountant V, Accountant III, Treasury Cashier, Account Clerk V	Accountant V, Accountant III, Treasury Cashier, Account Clerk V
Bank wire form approval	Funds Custody Manager	Accountant V
Signing Application for Investment (SAform)	Funds Custody Manager	Accountant V
Recording of Investments	Account Clerk V	Treasury Cashier
Accounting treatment	Accountant V	Funds Custody Manager/UARB