



**MONTGOMERY COUNTY, MARYLAND  
DEPARTMENT OF FINANCE**

**INVESTMENT POLICY**

**July 2025**

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## **I. POLICY**

It is the policy of Montgomery County, Maryland ("the County") to invest public funds (Operating Funds) in a manner that will safely preserve principal, provide sufficient liquidity to meet cash flow requirements, and maximize investment returns while conforming to all State of Maryland laws and County statutes governing the investment of public funds. The County will not borrow funds for the express purpose of reinvesting those funds. The Director of Finance or designee is authorized to invest such Operating Funds until such time that the County requires liquid funds for working capital needs.

## **II. SCOPE**

This Investment Policy applies to all Operating Funds of the County listed below. These funds are accounted for in the County's Annual Comprehensive Financial Report (ACFR) and include:

- A. General Fund
- B. Special Revenue Funds
- C. Capital Projects Funds
- D. Other funds as provided by County law

This Investment Policy does not include the management of assets of the Montgomery County Employee Retirement Plans or Consolidated Retiree Health Benefits Trust. The County Code delegates the oversight of the assets in these plans to the Board of Investment Trustees and the Consolidated Retiree Health Benefits Trust - Board of Trustees, respectively.

## **III. PRUDENCE**

The standard of prudence will be applied in the context of managing the overall portfolio. 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.

Authorized County employees, designated by the Director of Finance, must exercise appropriate due diligence, and act in accordance with all applicable written procedures and the Investment Policy. Deviations from expectations are to be reported in a timely manner and appropriate action should be taken to control adverse developments.

#### IV. INVESTMENT OBJECTIVES

In order of priority, the primary objectives of the County's Investment Policy are:

- A. **Safety:** Safety of principal is the foremost objective of the investment program. To achieve this, diversification, collateralization, third party safekeeping, and delivery versus payment (DVP) settlement will be required. Investments of the County shall also be undertaken in a manner that seeks to ensure the preservation of capital. The objective will be to mitigate credit risk and market/interest rate risk.
  - 1. Credit risk is the risk of loss due to the failure of the security issuer or backer and will be mitigated by: limiting investments to the safest types of securities, prequalifying the financial institutions with which the County will do business, diversifying the portfolio so that the failure of any one issuer or backer will not place an undue financial burden on the County, and monitoring the portfolio on a daily basis to anticipate and respond appropriately to a material reduction in the creditworthiness of any of the issuers.
  - 2. Market/Interest rate risk is the risk that the market value of portfolio securities will fall due to an increase in general interest rates and will be mitigated by structuring the County's portfolio so that securities mature to meet the County's working capital requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity to meet those specific needs and periodically restructuring the portfolio to minimize the loss of market value and/or maximize cash flows subject to the constraints described in Section VIII of this Investment Policy.

- B. **Liquidity:** The County's investment portfolio shall remain sufficiently liquid to enable the County to meet all operating requirements, which might be reasonably anticipated.

It is the full intent of the County to hold all investments until maturity to ensure the return of all invested principal. However, securities may be sold prior to maturity as needed to comply with the intent of this Investment Policy. This Investment Policy specifically prohibits trading securities for the sole purpose of speculating or taking an unhedged position on the future direction of interest rates.

- C. **Return on Investment:** The County's investment program shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles while taking into account the County's investment risk constraints and the cash flow characteristics of the portfolio.

The market rate of return on the County's investment portfolio is of secondary importance compared to the primary objectives of safety and liquidity described above. However, investment performance shall be continually monitored and evaluated by the Director of Finance and the Investment Committee using the Performance Standards described in Section XIV of this Investment Policy.

**V. DELEGATION OF AUTHORITY**

- A. Authority to manage the County's investment program is granted to the Director of Finance as provided by Title 17 of the Local Government Article of the Annotated Code of Maryland and Montgomery County Code, Section 20-5.
- B. The Director of Finance delegates responsibility for the operation of the investment program to the Investment Portfolio Manager and others, as may also be designated by the Director, who shall carry out established written procedures and internal controls for the operation of the investment program. The investment program shall be monitored by the Director of Finance or designee(s).
- C. The Investment Portfolio Manager shall develop, maintain, and adhere to written administrative procedures for the operation of the investment program, consistent with this Investment Policy. Such procedures must include, but not be limited to, reference to safekeeping, master repurchase agreements, custodial agreements, delivery vs. payment, wire transfers, collateral depository agreements, and reporting.

No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures approved by the Director of Finance.

**VI. ETHICS AND CONFLICTS OF INTEREST**

Chapter 19A of the Montgomery County Code applies to this Policy. Accordingly, County employees involved in the investment process must not conduct personal business activity that in any way conflicts with the proper execution of the investment program, or that in any way impairs their ability to make impartial decisions.

The Investment Portfolio Manager, or any other employee designated by the Director of Finance to invest County funds, must disclose to the Director of Finance any material financial interests in any financial institution with which they conduct personal business. They must disclose any personal financial/investment position that could be related to the performance of the investment portfolio. The Investment Portfolio Manager or designee must refrain from any personal investment transactions with employees of the institutional investment departments of firms with whom the County's Department of Finance conducts business.

## **VII. AUTHORIZED FINANCIAL INSTITUTIONS**

- A. The County shall establish and maintain a list of financial institutions and broker-dealers authorized to provide investment services. Authorized financial institutions and broker-dealers must:
  - 1. be on the published list of the Primary Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York and qualified under Securities and Exchange Commission Rule 15C3-1; OR be a Securities and Exchange Commission (SEC) registered Government Securities Dealer and be licensed and registered by the Financial Industry Regulatory Authority (FINRA) and licensed by the State of Maryland
  - 2. be approved by the Director of Finance, in writing
- B. This list must be reviewed annually by the Investment Portfolio Manager, and more frequently as deemed necessary by the Investment Committee, to determine which authorized financial institutions and broker-dealers continue to comply with the above requirements.
- C. All financial institutions and broker-dealers with whom the County conducts business, including primary dealers, are required to submit their most recent audited financial statements to the County annually.
- D. All financial institutions and broker-dealers with whom the County conducts business will receive a copy of the County's current Investment Policy and a list of employees authorized to transact investment trades on behalf of the County. Updates will be provided as they occur.
- E. The Director of Finance, or designee, will determine whether an agreement and/or contract (for example: Master Repurchase Agreement) needs to be executed with the financial institution based on the scope of the services and compensation provided. The Director of Finance or designee is authorized to execute that agreement on behalf of the County.
- F. Commercial banks must be federally chartered and a member of the Federal Deposit Insurance Corporation (FDIC) and must have "investment grade" short-term ratings from at least two of the National Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC. All banks with which the Department of Finance conducts business must submit to the County, annually, their most recent audited financial statements.

## VIII. AUTHORIZED AND SUITABLE INVESTMENT SECURITIES

Authorized investments and thresholds are set forth in the Code of Maryland Regulations (COMAR) 25.03.04 and in accordance with the State of Maryland Investment Policy.

Investments not specifically listed below are deemed inappropriate and are prohibited.

	MAXIMUM % HOLDINGS*	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	MINIMUM CREDIT RATING
U.S. Treasury Obligations	100% of Portfolio	N/A	3 years	N/A
U.S. Government Agency and Instrumentality (GSEs) Obligations	75% of Portfolio	30% per Agency and Instrumentality	3 years	N/A
Supranational Obligations	25% of Portfolio	10% per Issuer	3 years	AAA/Aaa/AAA
Repurchase Agreements	75% of Portfolio	30% per Counterparty 102% Collateral	1 month	N/A
Maryland Local Government Investment Pool (MLGIP)	50% of Portfolio	10% of total MLGIP assets	N/A	N/A
Government Money Market Mutual Funds	50% of Portfolio	25% per Fund	N/A	2a7 Highest possible rating from at least one NRSRO
Municipal Bonds, Notes, or Obligations OR Funds that invest only in these securities (bond proceeds only)	20% of Portfolio	10% per Issuer or Fund	N/A	Two of the following: Aa3/AA-/AA- or higher OR equivalent ratings
Commercial Paper	25% of Portfolio	5% per Issuer	270 days	Two of the following: A1/P1/F1 or higher
Bank or Savings and Loan Association Certificates of Deposit and Time Deposits (Federally Insured or Collateralized)	25% of Portfolio	10% per Issuer 102% Collateral	1 year	Two of the following: A1/P1/F1 or higher
Banker's Acceptances	20% of Portfolio	15% per Issuer	1 year	Two of the following: A1/P1/F1 or higher

*\*at time of purchase*



## **IX. DIVERSIFICATION**

The County must diversify its investment portfolio to avoid incurring unacceptable risks inherent in over-investing in specific investments, individual financial institutions, or maturities. Approved broker-dealers are limited to a maximum of 50% of the investment portfolio.

Should the County's investment portfolio balance drop to a level such that adequate diversification becomes difficult to achieve or that daily cash needs require the County to fully invest for daily liquidity, maximum allocations may be temporarily suspended by the Director of Finance. To protect the County, any temporary increases in maximum allocations should be targeted at traditionally diversified investments such as Government Money Market Mutual Funds and/or the Maryland Local Government Investment Pool.

## **X. MAXIMUM MATURITIES**

To the extent possible, the County will match its investments with anticipated cash flow requirements. Unless approved by the Director of Finance, the County will not directly invest in securities maturing more than three years from the date of purchase. Furthermore, any investment with a maturity of 18 months or longer at the time of purchase requires the notification of the Director of Finance or designee. However, the County may accept long term securities as collateral for repurchase agreements.

To meet the objectives of the County's investment programs, as listed in Section IV of this Investment Policy, the majority of the County's investments will have a maturity of two years or less. However, a portion of the portfolio may be invested in instruments with longer maturities of up to three years if such action does not jeopardize the adequate safety and liquidity standards of the portfolio and at the same time increases the overall yield of the portfolio. Investments in longer maturities will be limited to U.S. Treasury Obligations, U.S. Government Agency and Instrumentality Obligations and Supranational Obligations.

## **XI. COLLATERALIZATION**

- A. Collateralization will be required on three types of investments: certificates of deposit (above the FDIC insurance limit), time deposits (above the FDIC insurance limit), and repurchase agreements. To mitigate the effect of market changes, provide an additional level of security, and to comply with Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland, collateralization must be at least 102% of the market value of principal and accrued interest.
- B. A third party, with whom the County has a current custodial agreement, must always hold the collateral in the County's name.
- C. Acceptable collateral is specified under Section 6-202 of the State Finance and Procurement Article of the Annotated Code of Maryland and further described in Section 20-5(c)(3) of the Montgomery County Code.
- D. The right of collateral substitution is granted, and all associated costs will be paid by the seller (financial institution).

## **XII. SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase agreements, entered into by the County shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Director of Finance. A Master Repurchase Agreement signed by the Director of Finance and the appropriate official of the approved broker/dealer or financial institution will govern all repurchase agreements. The safekeeping institution shall provide, annually, a copy of their most recent American Institute of Certified Public Accountants (AICPA) System and Organization Controls (SOC) report on internal controls issued under Statement on Standards for Attestation Engagements 18 (SSAE 18) or equivalent.

Relative to transferred securities in a repurchase agreement investment in which the County is the buyer of the transferred securities, substitution of the transferred securities may not be made without the prior approval of the County.

### **XIII. COMPETITIVE SELECTION OF INVESTMENTS**

Consistent with market best practices, documentation should be maintained on all investments purchased or sold.

Competitive bids or offers should be obtained when possible. Investments shall be awarded on a competitive bid basis to the broker-dealer or financial institution that (a) offers the highest rate of return within the maturity required and (b) optimizes the investment objective of the overall investment portfolio, including diversification requirements.

Investments may be awarded on a non-competitive basis when the investment security is a new issue that can only be purchased from one source or can be purchased at the same yield from multiple sources. The County will document quotations on comparable securities when possible.

Market information systems may be used to assess the market and determine that an offering meets or exceeds the yield for a comparable maturity and investment type when a situation makes competitive bidding impractical.

### **XIV. PERFORMANCE STANDARDS**

The County's investment strategy is to buy and hold all investments until maturity. The investment portfolio is designed to obtain an average market rate of return during budgetary and economic cycles and a market and economic environment of stable interest rates, while considering the County's investment objectives and cash flow needs. Investment performance will be benchmarked against the U.S. Treasury Constant Maturity of similar maturity to that of the Weighted Average Maturity (WAM) of the investment portfolio. Data relative to the benchmarks and portfolio performance will be reported monthly to the Director of Finance and to the Investment Committee at its quarterly meetings.

**XV. INTERNAL CONTROL**

The Director of Finance, or designee, shall establish and maintain a system of internal controls designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the County. A review of the internal controls of the investment operation (both procedural and operational) is part of the annual audit as conducted by an external independent auditor for the County.

**XVI. REPORTING REQUIREMENTS**

- A. The Investment Portfolio Manager shall generate monthly reports for the Director of Finance summarizing the investment activity, past and current portfolio balances, and relative rates of return.
- B. The Investment Portfolio Manager shall generate a statement of the market value of the portfolio at least annually, which shall be provided to the Controller for inclusion in whole or in part in the County's ACFR.
- C. The County will establish an Investment Committee that is required to meet on a quarterly basis to review the current investment portfolio, review the portfolio performance relative to the benchmarks, review the County's cash flow projections, and provide input on future investments. The Committee members will be the County's Director of Finance, the Chief of Fiscal Management, the Investment Portfolio Manager and at least two other County employees so designated by the Director of Finance.

**XVII. INVESTMENT POLICY ADOPTION AND REVIEW**

Under Section 17-205 of the State Finance and Procurement Article of the Annotated Code of Maryland and the Code of Maryland Regulations (COMAR) 25.03.03, the County's Investment Policy must be adopted by Resolution by the Montgomery County Council and a certified copy of the current Investment Policy must be provided to the Maryland State Treasurer. The Investment Committee shall review the policy on an annual basis. The Montgomery County Council must approve any modifications made to this Investment Policy by Resolution and a certified copy must be forwarded to the Maryland State Treasurer.

  
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Michael J. Coveyou, Director of Finance

11/13/2025  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Richard Madaleno, Chief Administrative Officer

11/17/25  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Marc Elrich, County Executive

11/17/25  
\_\_\_\_\_  
Date

## Attachment I

### Annotated Code of Maryland

#### Maryland Code, STATE FINANCE AND PROCUREMENT § 6-201

##### Definitions

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- (a) In this subtitle the following words have the meanings indicated.
- (b) "Banking institution" means an institution that is incorporated under the laws of the State as a State bank, trust company, or savings bank.
- (c) "Collateral" means collateral that is listed under § 6-202 of this subtitle.
- (d) "Deposit insurance" means insurance by:
- (1) the Federal Deposit Insurance Corporation; or
  - (2) the Resolution Trust Corporation created under § 21A of the Federal Home Loan Bank Act (12 U.S.C. § 1441a.).
- (e) "Financial institution" means:
- (1) any banking institution;
  - (2) any national banking association;
  - (3) an institution that is incorporated under the laws of any other state as a bank; and
  - (4) an institution that is incorporated under the laws of this State or of the United States as a savings and loan association.
- (f) "National banking association" means an institution that is incorporated under federal law as a bank.
- (g) "State money" for purposes of §§ 6-209 and 6-210 of this subtitle includes money in a bank account maintained under the control of an employee or official of the clerk of the court or register of wills.

#### Maryland Code, STATE FINANCE AND PROCUREMENT § 6-202

##### Collateral

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Collateral that may be used under this subtitle shall be:

- (1) an obligation of the United States or any of its agencies;
- (2) an obligation guaranteed by the United States or by any of its agencies;
- (3) an obligation insured by the United States;
- (4) an obligation of the State or any of its units or instrumentalities;
- (5) an obligation of a county of the State or any of its agencies;
- (6) an obligation of a municipal corporation in the State or any of its agencies;

- (7) an obligation of any other governmental authority in the State;
- (8) an obligation of the Inter-America Development Bank;
- (9) an obligation of the World Bank;
- (10) an obligation of the following government-sponsored enterprises:
  - (i) the Federal Home Loan Banks;
  - (ii) the Federal Home Loan Mortgage Corporation;
  - (iii) the Federal National Mortgage Association;
  - (iv) the Farm Credit System;
  - (v) the Federal Agricultural Mortgage Corporation; and
  - (vi) the Student Loan Marketing Association;
- (11) a surety bond if:
  - (i) subject to the terms and conditions of the bond, it is irrevocable and absolute;
  - (ii) the surety bond is issued by an insurance company authorized to do business in this State;
  - (iii) the issuer of the surety bonds does not provide surety bonds for any one financial institution in an amount that exceeds 10% of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance; and
  - (iv) the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the Treasurer;
- (12) an obligation or security of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., if:
  - (i) the portfolio of the open-end or closed-end management type investment company or investment trust is limited to direct obligations of the United States government and to repurchase agreements fully collateralized by United States government obligations; and
  - (ii) the open-end or closed-end management type investment company or investment trust takes delivery of that collateral, either directly or through an authorized custodian; or
- (13) a letter of credit issued by a Federal Home Loan Bank if the letter of credit meets the conditions under the guidelines issued by the State Treasurer's office.

## Maryland Code, STATE FINANCE AND PROCUREMENT § 6-222

### Permissible investments; sale, redemption, and exchange; report; investment standards; use of minority business enterprises

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(a) (1) Subject to paragraph (2) of this subsection, the Treasurer may invest or reinvest unexpended or surplus money over which the Treasurer has custody.

(2) Investments made under paragraph (1) of this subsection shall be in accordance with the limitations for the asset classes and thresholds established in regulations adopted under subsection (f) of this section.

(b) The Treasurer may sell, redeem, or exchange an investment or reinvestment made under this section in accordance with the limitations of this section.

(c) Subject to § 2-1247 of the State Government Article, the Treasurer shall report by January 3 of each year to the General Assembly on investment activities for unexpended or surplus money over which the Treasurer has custody which have been conducted during the previous fiscal year. At a minimum, the report shall specify for General Fund investments and all other investments:

- (1) the inventory of investments with maturity dates and the book and market value as of June 30;
- (2) the net income earned;
- (3) the percentage share of each category of investment in the portfolio; and
- (4) any sale of investments prior to the maturity date.

(d) An investment made pursuant to this section shall be made:

- (1) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
- (2) in a manner designed to reasonably match the anticipated cash flow of the State so that sufficient funds are available to pay obligations upon proper presentation for payment;
- (3) so that a reasonable amount of cash or cash equivalents is available for unanticipated cash needs;
- (4) with due regard for minimizing risk while maximizing return;
- (5) using competitive purchasing practices except when impractical;
- (6) in accordance with a written investment policy;
- (7) so that the securities and collateral may continue to be priced on a market to market basis; and
- (8) to avoid the enhancement of the personal financial position of the Treasurer or any employee of the Treasurer who has responsibilities for such investments.



(e) (1) (i) Consistent with minority business purchasing standards applicable to units of State government under this article and consistent with the fiduciary duties of the Treasurer, the Treasurer shall attempt to use to the greatest extent feasible minority business enterprises for brokerage and investment management services under this section.

(ii) For purposes of this subsection, brokerage and investment management services shall include services relating to all allocated asset classes authorized in the regulations adopted under subsection (f) of this section.

(2) (i) To assist the Treasurer in achieving the goal described under paragraph (1) of this subsection, the Treasurer shall undertake measures to remove any barriers that limit full participation by minority business enterprises in brokerage and investment management services opportunities afforded under this section.

(ii) The measures undertaken by the Treasurer shall include the use of a wide variety of media, including the Treasurer's Web site, to provide notice to a broad and varied range of potential providers about the brokerage and investment management services opportunities afforded by the Treasurer.

(3) In conjunction with the Governor's Office of Small, Minority, and Women Business Affairs, the Treasurer shall develop guidelines to assist in identifying and evaluating qualified minority business enterprises in order to help the Treasurer achieve the objective for greater use of minority business enterprises for brokerage and investment management services under this section.

(4) On or before September 1 each year, the Treasurer shall submit a report to the Governor's Office of Small, Minority, and Women Business Affairs and, subject to § 2-1257 of the State Government Article, the General Assembly on:

(i) the identity of the minority business enterprise brokerage and investment management services firms used by the Treasurer in the immediately preceding fiscal year;

(ii) the percentage and dollar value of the assets under the custody of the Treasurer that are under the investment control of minority business enterprise brokerage and investment management services firms for each allocated asset class; and

(iii) the measures the Treasurer undertook in the immediately preceding fiscal year in accordance with paragraph (2)(ii) of this subsection.

(f) (1) The Treasurer shall adopt regulations that establish a State investment policy.

(2) The State investment policy shall specify:

(i) asset classes in which the Treasurer may invest or reinvest certain unexpended or surplus funds; and

(ii) thresholds for the maximum investment in each asset class authorized under item (i) of this paragraph.

## Maryland Code, LOCAL GOVERNMENT § 17-101

### Investment or deposit of surplus money by counties, municipalities, and other entities

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(a) In this section, "State financial institution" means an institution that:

(1) has a branch in the State that takes deposits; and

(2) is:

(i) a bank incorporated under the laws of any state or the United States;

(ii) a trust company or savings bank incorporated under the laws of the State; or

(iii) a savings and loan association incorporated under the laws of the State or the United States.

(b) This section applies to the following governmental entities:

(1) the governing body of each county;

(2) the governing body of each municipality;

(3) each county board of education, including the Baltimore City Board of School Commissioners;

(4) each road, drainage, improvement, construction, or soil conservation district or commission;

(5) the Upper Potomac River Commission; and

(6) any other political subdivision or body politic and corporate of the State.

(c) Subject to Subtitle 2 of this title and notwithstanding any provision of local law or ordinance, a governmental entity or its authorized agent:

(1) in accordance with § 6-222 of the State Finance and Procurement Article may:

(i) invest and reinvest in obligations or repurchase agreements all unexpended money in any fund or account of which the governmental entity or its authorized agent has custody or control; and

(ii) sell, redeem, or exchange an investment or reinvestment made under this item; or

(2) may deposit unexpended money in:

(i) an interest-bearing time deposit account or savings account at a federally insured bank or federally insured savings and loan association in the State; or

(ii) the Local Government Investment Pool established under § 17-302 of this title.

(d) Except as provided in subsections (e) and (f) of this section, a

governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association under subsection (b)(2)(i) of this section only if the bank or savings and loan association gives as security for the deposit collateral of a type specified in § 6-202 of the State Finance and Procurement Article.

(e) A governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association without the security required under subsection (d) of this section if:

- (1) the money is initially deposited in a State financial institution chosen by the depositor;
- (2) the State financial institution arranges for the further deposit of the money into one or more certificates of deposit in an amount not exceeding the applicable Federal Deposit Insurance Corporation maximum insurance coverage limit, issued by one or more federally insured banks or federally insured savings and loan associations for the account of the depositor;
- (3) when the money is deposited and the certificates of deposit are issued, the State financial institution receives deposits from customers of other banks or savings and loan associations in an amount at least equal to the amount of money initially deposited by the depositor;
- (4) each certificate of deposit issued for the depositor's account is insured by the Federal Deposit Insurance Corporation for 100% of the principal of and accrued interest on the certificate of deposit; and
- (5) the State financial institution acts as custodian for the depositor with respect to the certificates of deposit issued for the depositor's account.

(f) A governmental entity or its authorized agent may deposit unexpended money in a federally insured bank or federally insured savings and loan association without the security required under subsection (d) of this section if:

- (1) the money is initially placed for deposit with a State financial institution chosen by the depositor to arrange for the redeposit of the money through a deposit placement program that meets the requirements under this subsection;
- (2) on or after the date that the money of the governmental entity is received, the State financial institution:
  - (i) arranges for the redeposit of the money into one or more deposit accounts, each in an amount of not more than the applicable Federal Deposit Insurance Corporation maximum insurance coverage limit, in one or more federally insured banks or federally insured savings and loan associations for the account of the depositor; and
  - (ii) acts as custodian for the depositor with respect to the money deposited into the accounts;
- (3) any money of a governmental entity deposited into a State financial institution in accordance with this subsection and held by that State financial institution at the close of a business day that is in excess of the amount insured by the Federal Deposit Insurance Corporation is secured in accordance with this title;
- (4) the full amount of the money of the governmental entity redeposited by the State financial institution into deposit accounts in federally insured banks or federally insured savings and loan associations under this subsection is insured by the Federal Deposit Insurance Corporation; and
- (5) on the same date that the money of the governmental entity is redeposited under this subsection, the State financial institution receives an amount of deposits from customers of other banks or savings and loans in accordance with the deposit placement program that is at least equal to the amount of the money of the governmental entity redeposited by the State financial institution.

(g) (1) The interest or income from an investment or deposit made under this section:

- (i) shall be credited to the fund from which the investment or deposit was made; and
  - (ii) may be invested or deposited as provided in this section.
- (2) Notwithstanding paragraph (1) of this subsection, if the money invested or deposited under this section is from a fund that contains the proceeds of the issuance of bonds or other obligations, the issuer may use the interest or income from the investment or deposit to repay the principal of or interest on the bonds or other obligations.

(h) A governmental entity or its authorized agent may withdraw or alter an investment or deposit made under this section:

- (1) to meet the requirements for which the money is held; or
- (2) for reinvestment in accordance with this section.

## Maryland Code, LOCAL GOVERNMENT § 17-102

### Postemployment benefits funds

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(a) **"Other postemployment benefits" defined.** -- In this section, "other postemployment benefits" means:

- (1) postemployment health care benefits; and
- (2) postemployment benefits provided separately from a pension plan.

(b) **Investment authority of trustees and officers.** -- Notwithstanding § 17-101 of this subtitle, the trustees or other officers in charge of a pension or retirement system or fund, other postemployment benefits fund, trust fund account, fund for self-insurance purposes, or facility closure reserve fund of a political subdivision of the State or a unit of a political subdivision of the State:

(1) may:

- (i) invest and reinvest money in their custody or control as provided by a law enacted by the governing body of the political subdivision; and
  - (ii) sell, redeem, or exchange an investment or reinvestment made under this item; and
- (2) shall comply with fiduciary standards that at least meet the standards in Title 21, Subtitle 2 of the State Personnel and Pensions Article in connection with money in their custody or control.

(c) **Third party agreements.** --

(1) Notwithstanding any other law, a political subdivision of the State or a unit of a political subdivision of the State may enter into an agreement with a third party contractor or vendor for the management or investment of money intended for other postemployment benefits.

(2) An agreement entered into under this subsection includes the authority to:

(i) create pooled investments under the stewardship of:

1. a political subdivision of the State or a unit of a political subdivision of the State; or
2. a separate body under an agreement with a political subdivision of the State;

(ii) create one or more accounts to be managed in coordination with other funds or investments by a third party under an agreement with a political subdivision of the State; and

(iii) create distinct funding accounts for payment on behalf of employees of a unit of a political subdivision of the State under an agreement with the political subdivision.

(d) **Agreement with third party for management or investment of money in fund.** --

(1) Notwithstanding any other law, a political subdivision of the State or a unit of a political subdivision of the State may enter into an agreement with a third party contractor or vendor for the management or investment of money in a facility closure reserve fund.

(2) An agreement entered into under this subsection includes the authority to:

(i) create pooled investments under the stewardship of:

1. a political subdivision of the State or a unit of a political subdivision of the State; or
2. a separate body under an agreement with a political subdivision of the State; and

(ii) create one or more accounts to be managed in coordination with other funds or investments by a third party under an agreement with a political subdivision of the State.

## Maryland Code, LOCAL GOVERNMENT § 17-103

### Charter counties and Baltimore City

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- (a) This section applies to bond sale proceeds and other money that are:
- (1) subject to arbitrage, rebate, or similar limitations under federal tax law; and
  - (2) in the custody or control of the controller, director of finance, or similar official of a charter county or Baltimore City.
- (b) Notwithstanding any other law, the controller, director of finance, or similar official of a charter county or Baltimore City may:
- (1) invest and reinvest bond proceeds and other money to which this section applies:
    - (i) in bonds, notes, or other obligations that are:
      1. of investment grade quality as established by a nationally recognized rating agency; and
      2. issued by or on behalf of a state or a unit, political subdivision, public corporation, special district, or authority of a state; and
    - (ii) directly or through a trust or fund that restricts investments to obligations of investment grade quality; and
  - (2) sell, redeem, or exchange an investment or reinvestment made under item (1) of this subsection.

## Maryland Code, LOCAL GOVERNMENT § 17-104

### Investment in open-end and closed-end investment companies and trusts

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- (a) **Scope of section.** -- This section applies to the following governmental entities:
- (1) the governing body of each county;
  - (2) the governing body or chief fiscal or administrative officer of each municipality;
  - (3) the governing body or chief fiscal or administrative officer of:
    - (i) each road, drainage, improvement, construction, or soil conservation district or commission; or
    - (ii) the Upper Potomac River Commission;
  - (4) each county board of education, including the Baltimore City Board of School Commissioners;
  - (5) any other political subdivision or body politic and corporate of the State;
  - (6) a unit of a political subdivision of the State; and
  - (7) the trustees or other officers in charge of a pension or retirement system or fund of:
    - (i) the State;
    - (ii) a political subdivision of the State; or
    - (iii) a unit of the State or of a political subdivision of the State.
- (b) **Authorized.** -- Notwithstanding any other law, when a governmental entity is required or authorized to invest in, purchase, or take as collateral a bond, an obligation, or any other evidence of indebtedness of the United States, the governmental entity may invest in, purchase, or take as collateral an obligation or security of or other interest in an open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, 15 U.S.C. § 80A-1 et seq., if:
- (1) the portfolio of the investment company or investment trust is limited to:
    - (i) direct obligations of the United States; and
    - (ii) repurchase agreements that are fully collateralized by obligations of the United States; and
  - (2) the investment company or investment trust takes delivery of the collateral directly or through an authorized custodian.

## Maryland Code, LOCAL GOVERNMENT § 17-201

### Definitions

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(a) **In general.** -- In this subtitle the following words have the meanings indicated.

*This subsection formerly was Art. 95, § 22F(a)(4).*

(b) **Financial officer.** -- "Financial officer" means the treasurer or other financial officer of a governmental entity who is responsible for the investment of public funds or the issuance and management of debt of the governmental entity.

(c) **Governing authority.** -- "Governing authority" means:

(1) for Baltimore City, the Baltimore City Board of Estimates;

(2) for a commission county, the county commissioners;

(3) for a charter county, as provided by local law, the county council or the county executive and the county council;

(4) for a code county, the county commissioners;

(5) for a community college, the board of trustees;

(6) for a municipality, the body provided by the municipal charter;

(7) for the Washington Suburban Sanitary Commission, the Commission;

(8) for a public corporation, the board of directors; and

(9) for an authority, the board of the authority.

*This subsection formerly was Art. 95, § 22G(a)(5)).*

(d) **Public money.** --

(1) Except as provided in paragraph (2) of this subsection, "public money" means any money held by a governmental entity.

(2) "Public money" does not include money held as part of a pension fund, a fund for other postemployment benefits, as defined in § 17-102(a) of this title, a trust fund account, or a facility closure reserve fund or for self-insurance purposes.

## Maryland Code, LOCAL GOVERNMENT § 17-202

### Conflict with other laws

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To the extent of any conflict, this subtitle and the local government investment guidelines adopted by the State Treasurer under this subtitle supersede:

(1) any local law, including a charter provision; and

(2) any other public general law.

## Maryland Code, LOCAL GOVERNMENT § 17-203

### Scope of subtitle

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This subtitle applies to the following governmental entities:

- (1) each county;
- (2) each municipality;
- (3) each community college other than the Baltimore City Community College;
- (4) each regional community college established under Title 16, Subtitle 2 of the Education Article;
- (5) the Washington Suburban Sanitary Commission;
- (6) a public corporation authorized to issue debt; and
- (7) an authority of the State authorized to issue debt.

## Maryland Code, LOCAL GOVERNMENT § 17-204

### Adoption and requirements.

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- (a) (1) After consulting with the governmental entities, the State Treasurer shall adopt by regulation local government investment guidelines to govern the investment of public money by the entities in a manner that:
  - (i) facilitates sound cash management;
  - (ii) protects the public; and
  - (ii) ensures that each entity has access to its public money.
- (2) Prior to adopting regulations that alter the types of investments in which governmental entities may invest public money, the State Treasurer shall consult with the governmental entities.
- (b) The local government investment guidelines shall:
  - (1) specify the types of investments in which public money may be invested;
  - (2) include guidance for the prudent investment of public money based on cash flow projections, income, liquidity, investment ratings, and risk;
  - (3) require that investments by a county board of education and a county board of library trustees comply with the local investment policy of the county; and
  - (4) prohibit the borrowing of money for the express purpose of investment.

## Maryland Code, LOCAL GOVERNMENT § 17-205

### Local investment policy

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- (a) **Adoption required.** -- The governing authority of each governmental entity shall adopt by resolution a local investment policy that:
- (1) meets the needs of the governmental entity; and
  - (2) is consistent with the local government investment guidelines adopted by the State Treasurer under § 17-204 of this subtitle.
- (b) **Copy to State Treasurer.** -- Promptly after the adoption of a local investment policy, the governmental entity shall mail a certified copy to the State Treasurer.
- (c) **Determination by State Treasurer.** -- If the State Treasurer determines that the local investment policy is not consistent with the local government investment guidelines adopted by the State Treasurer under § 17-204 of this subtitle:
- (1) the State Treasurer shall notify the governmental entity; and
  - (2) the governing authority shall prepare and submit a revised local investment policy that is consistent with the local government investment guidelines.
- (d) **Amendments.** -- If the governing authority amends the governmental entity's local investment policy, the governmental entity shall submit the new local investment policy to the State Treasurer in accordance with subsection (b) of this section.

## Maryland Code, LOCAL GOVERNMENT § 17-206

### Restriction on investments

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A financial officer may not invest public money of a governmental entity in a manner that is inconsistent with the entity's local investment policy.

## Maryland Code, LOCAL GOVERNMENT § 17-207

### Local debt policy

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- (a)
- (1) Each governmental entity shall adopt by resolution, motion, or ordinance a local debt policy that:
    - (i) is consistent with the Maryland Constitution and all applicable State and local laws; and
    - (ii) meets the needs of the governmental entity.
  - (2) Promptly after the adoption of a local debt policy, the governmental entity shall mail a certified copy to the State Treasurer.
  - (3) If the State Treasurer determines that the local debt policy is not consistent with the Maryland Constitution or any applicable State or local law:
    - (i) the State Treasurer shall notify the governmental entity; and
    - (ii) the governmental entity shall prepare and submit a revised local debt policy.
- (b) If the governmental entity amends its local debt policy, the governmental entity shall submit its revised policy to the State Treasurer in accordance with subsection (a) of this section.



## Maryland Code, LOCAL GOVERNMENT § 17-208

### Enforcement

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- (a) The State Treasurer shall contact the governmental entity to seek compliance if a governmental entity does not maintain a local investment policy or local debt policy as required by this subtitle.
- (b) On request of the State Treasurer, a financial officer shall provide to the State Treasurer, in the format and time frame requested:
- (1) a report of the investment portfolio of the governmental entity; or
  - (2) a report of the debt portfolio of the governmental entity in the format required under § 16-103 of this article.
- (c) If, after being contacted by the State Treasurer, a governmental entity does not comply with this section, the State Treasurer shall notify the Joint Committee on the Management of Public Funds in writing.
- (d) The Joint Committee on the Management of Public Funds may request the Attorney General to seek judicial enforcement of this subtitle against the governmental entity.

## Maryland Code, LOCAL GOVERNMENT § 17-301

### Investment Pools Part I - Local Government Investment Pool.

### Definitions

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- (a) **In general.** -- In this part the following words have the meanings indicated.  
*This subsection formerly was Art. 95, § 22G(a)(1)(i).*
- (b) **Authorized participant.** -- "Authorized participant" means:
- (1) the governing body of each county or municipality;
  - (2) a county board of education;
  - (3) the governing body of each road, drainage, improvement, construction, or soil conservation district or commission in the State;
  - (4) the Upper Potomac River Commission;
  - (5) any other political subdivision or body politic and corporate of the State;
  - (6) a local government insurance pool formed under Title 19, Subtitle 6 of the Insurance Article; or
  - (7) on approval of the State Treasurer, a unit of State government or an entity created by the State if the funds of the unit or entity are not State money over which the Treasurer has investment authority.
- This subsection formerly was Art. 95, § 22G(a)(1)(ii).*
- (c) **Pool.** -- "Pool" means the Local Government Investment Pool.  
*This subsection formerly was Art. 95, § 22G(a)(1)(iii).*

## Maryland Code, LOCAL GOVERNMENT § 17-302

### Investment Pools Part I - Local Government Investment Pool.

#### Established

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There is a Local Government Investment Pool.

## Maryland Code, LOCAL GOVERNMENT § 17-303

### Investment Pools Part I - Local Government Investment Pool.

#### Composition

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The Pool consists of:

- (1) money of authorized participants that is deposited in the Pool; and
- (2) money of the State that is deposited in the Pool by the State Treasurer.

## Maryland Code, LOCAL GOVERNMENT § 17-304

### Investment Pools Part I - Local Government Investment Pool.

#### Administration

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(a) The State Treasurer shall administer the Pool on behalf of:

- (1) authorized participants; and
- (2) to the extent that State money is included in the Pool, the State.

(b) The State Treasurer shall develop procedures necessary to administer the Pool efficiently, including:

- (1) specification of the minimum and maximum amounts that may be deposited by any authorized participant in the Pool and minimum periods of time for which deposits must be retained in the Pool;
- (2) payment of administrative expenses from the earnings of the Pool; and
- (3) distribution of earnings in excess of expenses or allocation of losses to authorized participants in a manner that equitably reflects the amount and duration of each authorized participant's investments in the Pool.

## Maryland Code, LOCAL GOVERNMENT § 17-305

### Investment Pools Part I - Local Government Investment Pool.

#### Investments

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(a) **Policies.** -- The State Treasurer shall establish investment policies for the Pool.

(b) **Procedures.** -- Subject to the objectives and requirements of this part, the State Treasurer shall establish procedures for:

- (1) the investment and reinvestment of money in the Pool; and
- (2) the acquisition, retention, management, and disposition of investments of the Pool.

(c) **Governing law.** --

(1) The State Treasurer shall invest money in the Pool in accordance with §§ 6-222 and 6-223 of the State Finance and Procurement Article.

(2) Notwithstanding any other law, the State Treasurer may:

- (i) invest and reinvest money in the Pool in bankers' acceptances guaranteed by banks; and
- (ii) sell, redeem, or exchange an investment or reinvestment made under this paragraph.

(d) **Custody of instruments of title.** -- Except as otherwise provided in this part, the State Treasurer shall retain custody of all instruments of title to all investments of the Pool.

(e) **Deposit of instruments of title.** --

(1) The State Treasurer may deposit with one or more fiscal agents or banks any instruments of title to investments of the Pool that the State Treasurer considers advisable.

(2) A fiscal agent or bank shall hold any instruments of title deposited with the agent or bank for collection of:

- (i) the principal of and interest or other income from the investments; or
- (ii) the proceeds of sale of the investments.

(f) **Collection of principal and income by State Treasurer.** -- The State Treasurer shall collect the principal of and interest or other income from investments of the Pool, the instruments of title to which are in the State Treasurer's custody, when due and payable.

## Maryland Code, LOCAL GOVERNMENT § 17-306

### Investment Pools Part I - Local Government Investment Pool.

#### Employment of fiscal agent

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(a) **Authorized.** -- The State Treasurer may:

- (1) contract with a qualified Maryland fiscal agent; and
- (2) compensate the fiscal agent for services rendered.

(b) **Scope of services.** -- The fiscal agent may perform administrative and investment services that the State Treasurer performs under this part.

Maryland Code, LOCAL GOVERNMENT § 17-307  
Investment Pools Part I - Local Government Investment Pool.  
Status of money in Pool

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Except for State money, money deposited in the Pool is not money of the State.

Maryland Code, LOCAL GOVERNMENT § 17-308  
Investment Pools Part I - Local Government Investment Pool.  
Procedures for participation

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(a) **In general.** -- The governing authority of an authorized participant may direct its financial officer to remit to the State Treasurer for investment in the Pool money that:

(1) is available for investment; and

(2) is not required, by law or a covenant or agreement with bondholders or others, to be segregated and invested in a different manner.

(b) **Other postemployment benefit funds.** -- The governing authority of an authorized participant having money intended for other postemployment benefits that are available for investment, as authorized under § 17-102 of this title, may direct its financial officer to remit that money to the State Treasurer for investment in the Pool.

(c) **Resolution or ordinance required.** --

(1) If the governing authority of an authorized participant determines that it is in the best interest of the authorized participant to deposit money in the Pool, the governing authority shall:

(i) adopt a resolution or ordinance authorizing the deposit; and

(ii) file a certified copy of the resolution or ordinance with the State Treasurer accompanied by a statement of the approximate cash flow requirements of the authorized participant for the invested money.

(2) The resolution or ordinance shall indicate the official of the authorized participant who is responsible for depositing money in and withdrawing money from the Pool.

(d) **Required statements.** -- Each subsequent deposit of money into the Pool shall be accompanied by a statement of:

(1) the intended duration of the investment; or

(2) the anticipated date of withdrawal of the money from the Pool.

## Maryland Code, LOCAL GOVERNMENT § 17-309

### Investment Pools Part I - Local Government Investment Pool.

#### Participant accounts

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(a) **Required.** -- The State Treasurer shall maintain a separate account designated by name or number for each authorized participant in the Pool, including the State, to record the individual transactions and totals of all investments of each authorized participant.

(b) **Accumulated income.** -- At least monthly, the State Treasurer shall credit accumulated income to each authorized participant's account.

(c) **Reports.** --

(1) The State Treasurer shall provide to each authorized participant a monthly report of the changes in investments made during the preceding month.

(2) On request, the State Treasurer shall provide a detailed report of any transaction relating to an investment of an authorized participant.

(d) **Payments from accounts.** -- On request, the State Treasurer shall pay from the Pool the principal and credited income of an account maintained for an authorized participant if the request conforms to the terms of the deposit.

(e) **Limit on payments.** --

(1) The State Treasurer may not make a payment from an account of an authorized participant in an amount that exceeds the total amount of money in the account.

(2) The payee shall refund any excess amount paid.

## Maryland Code, LOCAL GOVERNMENT § 17-312

### Investment Pools Part II – Montgomery County Investment Pool. Established

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There is a Montgomery County Investment Pool.

## **Attachment II**

# **COMAR 25.03.03.00**

Title 25 OFFICE OF THE STATE TREASURER

Subtitle 03 TREASURY MANAGEMENT

Chapter 03 Local Government Investment Guidelines and Reporting Requirements

Authority: Article 95, §22F; State Finance and Procurement Article, §6-222; Annotated Code of Maryland

## **COMAR 25.03.03.01**

.01 Purpose.

This chapter requires local government units to adopt policies to be followed when investing public funds, to submit the adopted policies to the State Treasurer for acceptance, and certain local government units to submit periodic reports on investment activities to the State Treasurer .

# COMAR 25.03.03.02

## .02 Definitions.

A. In this chapter, the following terms have the meanings indicated.

### B. Terms Defined.

(1) “Accepted policy” means an adopted policy that has been accepted by the State Treasurer in accordance with Regulation .06 of this chapter.

(2) “Adopted policy” means a local government investment policy which has been properly adopted by the local government unit in accordance with the requirements of both local law, and Regulation .05 of this chapter.

(3) “Bankers’ acceptances” means an order to pay a sum certain on a certain day to the holder which is drawn on and accepted by the bank that assumes responsibility to make payment to the holder.

(4) “Board of education” has the meaning stated in Education Article, §1-101(d), Annotated Code of Maryland.

(5) “Board of library trustees” means those boards established pursuant to Education Article, Title 23, Subtitle 3, Annotated Code of Maryland.

(6) “Certificate of deposit” means an interest-bearing negotiable instrument of fixed maturity issued by a commercial bank.

(7) “Chief Executive” has the meaning stated in Article 95, §22F, Annotated Code of Maryland.

(8) “Commercial paper” means an unsecured promissory note with a fixed maturity of 270 days or less.

(9) “Community college” has the meaning stated in Article 95, §22F, Annotated Code of Maryland.

(10) “Direct federal obligation” means a security issued by the United States Treasury, the principal and interest of which are guaranteed by the full faith and credit of the United States.

(11) “Federal agency obligation” means securities issued by entities that are United States government agencies or by a federal instrumentality created by Congress to advance federal policy through the issuance of securities, such as the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, and the Student Loan Marketing Association.

(12) “GFOA” means the Government Finance Officers Association of the United States and Canada.

(13) "Governing body" has the meaning stated in Article 95, §22F, Annotated Code of Maryland.

(14) "Investment manager" has the meaning stated in Article 95, §22F, Annotated Code of Maryland.

(15) "Local government investment pool" has the meaning stated in Article 95, §22G, Annotated Code of Maryland.

(16) "Local government unit" has the meaning stated in Article 95, §22F, Annotated Code of Maryland.

(17) "Marked to market" means the price at which a security is trading.

(18) "Money market mutual funds" means a mutual fund registered with the Securities and Exchange Commission under the Investment Company Act of 1940, 15 U.S.C. §80(A), as amended, and operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 CFR §270.2A-7, as amended.

(19) "Municipal securities" means debt issued by state and local governments and their agencies.

(20) "Municipal Treasurer's Association" means the Municipal Treasurers' Association of the United States and Canada.

(21) "Net asset value" means the bid price of a mutual fund share.

(22) "Public funds" has the meaning stated in Article 95, §22F, Annotated Code of Maryland.

(23) "Repurchase agreement" means an investment in which an investor buys a security from a broker for a specified period at an agreed rate of interest and the broker agrees to repurchase the security at a specific time for the original purchase price plus the interest accrued.

(24) "Reverse repurchase agreement" means a method of borrowing using a security as collateral for a loan when the owner sells the security for a stated term with an agreement to repurchase the security at the sales price and an agreed-upon interest rate.

(25) "State Treasurer" means the Treasurer of Maryland.



# COMAR 25.03.03.03

.03 General Requirements for Adoption of Local Government Investment Policy.

A. The governing body of each local government unit shall adopt by resolution a written investment policy that:

(1) Complies with State and local law, including:

(a) State Finance and Procurement Article, §6-222, Annotated Code of Maryland; and

(b) Article 95, §22F , Annotated Code of Maryland; and

(2) Meets or exceeds standards published by nationally recognized financial management organizations recognized by the State Treasurer.

B. The State Treasurer recognizes the standards published by the following nationally recognized financial management organizations:

(1) GFOA; and

(2) Municipal Treasurer's Association .

C. The board of education and the board of library trustees of a county need not adopt a written investment policy but shall invest in compliance with the accepted policy of the county.

## **COMAR 25.03.03.04**

.04 State Law Requirements for Adoption of Local Government Investment Policy.

A. At a minimum, each adopted policy shall:

(1) Allow local government units to invest in only those types of securities authorized by:

(a) State Finance and Procurement Article, §6-222(a), Annotated Code of Maryland, or

(b) Article 95, §§22—22N, Annotated Code of Maryland;

(2) Require that investments made by local government units comply with the standards of State Finance and Procurement Article, §6-222(d), Annotated Code of Maryland;

(3) Prohibit the borrowing of money for the sole purpose of investment; and

(4) Require that the local government unit's investment manager not invest public funds of the local government unit in a manner inconsistent with its adopted policy.

B. A local government unit may include additional requirements in its adopted policy.

C. In addition to §§A and B of this regulation, the adopted policy of a board of education or a board of library trustees shall comply with the provisions of the adopted policy for the county in which the board of education or board of library trustees is located.

## **COMAR 25.03.03.05**

.05 Adoption of Local Government Investment Policy and Submission for Acceptance.

A. By September 1, 1995, the governing body of each local government unit shall adopt by resolution a written local government investment policy that:

(1) Complies with the requirements of local and State law;

(2) Satisfies the requirements of Regulations .03 and .04 of this chapter; and

(3) Meets the individual needs of the local government unit.

B. Within 30 days following adoption, the governing body of each local government unit shall send a certified copy of its adopted policy and its adopting resolution to the State Treasurer for acceptance.

## COMAR 25.03.03.06

.06 Check by State Treasurer of Local Government Investment Policy.

A. Upon receipt, the State Treasurer shall have each adopted policy checked for compliance with this chapter, and shall either:

(1) Notify the governing body of the local government unit that its adopted policy has been accepted; or

(2) Return the adopted policy to the governing body of the local government unit for revision and readoption.

B. An adopted policy returned by the State Treasurer shall be:

(1) Revised promptly;

(2) Readopted by the governing body of the local government unit in accordance with Regulation .05A of this chapter; and

(3) Resubmitted to the State Treasurer in accordance with Regulation .05B of this chapter.

## COMAR 25.03.03.07

**.07 Amendment of Accepted Policy.**

A. An accepted policy may be amended by submitting to the State Treasurer:

(1) The proposed language of the amendment;

(2) A certified copy of the adopting resolution of the local government unit; and

(3) A certified copy of the revised local government investment policy which shall contain the amendment.

B. The State Treasurer shall consider each amendment in accordance with the provisions of Regulation .06 of this chapter.

## **COMAR 25.03.03.08**

**.08 Repealed.**

## **COMAR 25.03.03.09**

**.09 Enforcement.**

A. The State Treasurer shall notify a local government unit to seek compliance if the:

(1) Local government unit has not sent the State Treasurer an adopted policy in accordance with Regulation .05B of this chapter; or

(2) State Treasurer determines that the adopted policy is not an accepted policy in accordance with Regulation .06A of this chapter.

B. The State Treasurer periodically shall send a written list of the local government units which have failed to comply with this chapter to the Joint Committee on the Management of Public Funds, which may take further action in accordance with Article 95, §22F, Annotated Code of Maryland.

# COMAR 25.03.03.9999

## Administrative History

### Effective date:

Regulations .01—.09 adopted as an emergency provision effective August 1, 1995 (22:17 Md. R. 1310); emergency status expired February 1, 1996

Regulations .01—.09 adopted effective February 26, 1996 (23:4 Md. R. 274)

Regulation .01 amended as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

Regulation .02B amended as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

Regulation .03A, B amended as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

Regulation .04A amended as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

Regulation .04C repealed as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

Regulation .05A amended as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

Regulation .06A amended as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

Regulation .08A amended effective December 14, 1998 (25:25 Md. R. 1835)

Regulation .08 repealed effective February 19, 2001 (28:3 Md. R. 207)

Regulation .09 amended effective February 19, 2001 (28:3 Md. R. 207)

Regulation .09 amended as an emergency provision effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

## **Attachment III**

# **COMAR 25.03.04.00**

Title 25 OFFICE OF THE STATE TREASURER

Subtitle 03 TREASURY MANAGEMENT

Chapter 04 Policy Regarding the Investment of Public Money

Authority: State Finance and Procurement Article, §6-222, Annotated Code of Maryland

## **COMAR 25.03.04.01**

.01 Purpose.

The purpose of this Policy is to ensure that public money is invested by the State in a manner that will:

- A. Provide the highest investment return with the maximum safety and security while meeting the anticipated daily cash flow requirements of the State;
- B. Conform to all State laws governing the investment of public money; and
- C. Specify the asset classes, thresholds for maximum investment in each asset class, and other requirements for the investment of public money by the State.

# COMAR 25.03.04.02

## .02 Definitions.

A. In this chapter, the following terms have the meanings indicated.

### B. Terms Defined.

(1) “Investment officer” means the State’s Chief Investment Officer and any other person authorized by the State Treasurer to invest unexpended or surplus money over which the State Treasurer has custody.

(2) “Nationally recognized statistical rating organization” means a nationally recognized statistical rating organization as designated by either the United States Securities and Exchange Commission or the Treasurer.

(3) “Public money” means unexpended or surplus money over which the State Treasurer has custody.

(4) “State Treasurer” means the Treasurer of the State of Maryland.

(5) “Supranational issuer” includes (without limitation):

- (a) The World Bank;
- (b) The International Finance Corporation;
- (c) The Inter–American Development Bank;
- (d) The African Development Bank; and
- (e) The Asian Development Bank.

# COMAR 25.03.04.03

## .03 Requirements for Investment Officers.

A. An investment officer shall employ the “prudent person” standard when making investments. Specifically, an investment officer shall:

- (1) Act with the care, skill, and diligence that a prudent investor acting in a like capacity and familiar with such matters would use considering the circumstances then prevailing;
- (2) Make investments in a manner designed to reasonably match anticipated cash flow needs so that sufficient funds are available to pay obligations upon proper presentation for payment;
- (3) Make investments so that a reasonable amount of cash or cash equivalents is available for unanticipated cash needs;
- (4) Consider the context of the assets in the Treasurer’s custody as a whole and as part of an overall investment strategy that incorporates reasonably suitable risk and return objectives;
- (5) Have due regard for minimizing risk while maximizing return;
- (6) Use competitive purchasing practices except when impractical;
- (7) Make investments so that the securities and collateral may continue to be priced on a marked to market basis;
- (8) In a manner designed to diversify investments unless, under the circumstances, it is reasonably determined to be in the best interests of the State not to do so;
- (9) Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents;
- (10) Incur only costs that are appropriate and reasonable in amount; and
- (11) Act to avoid the enhancement of the personal financial position of the investment officer or any employee of the State Treasurer or local government unit who has responsibilities for such investments.

B. An investment officer shall comply with the requirements of this chapter and any additional requirements adopted by the State Treasurer in accordance with Regulation .05 of this chapter.



# COMAR 25.03.04.04

## .04 Permitted Investments .

A. Subject to the requirements in §B of this regulation, public money may be invested in the following types of securities:

- (1) An obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;
- (2) An obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress;
- (3) An obligation issued and unconditionally guaranteed by a supranational issuer denominated in United States dollars and eligible to be sold in the United States;
- (4) A repurchase agreement collateralized in an amount not less than 102 percent of the principal amount by an obligation of the United States, its agencies, or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;
- (5) Bankers' acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one nationally recognized statistical rating organization;
- (6) Commercial paper that has received the highest letter and numerical rating by at least two nationally recognized statistical rating organizations;
- (7) Money market mutual funds that:
  - (a) Are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, 15 U.S.C. §80a-1 et seq., as amended;
  - (b) Are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 CFR §270.2A-7, as amended; and
  - (c) Have received the highest possible rating from at least one nationally recognized statistical rating organization;
- (8) Any investment portfolio created under the Maryland Local Government Investment Pool defined under Local Government Article, §§17-301—17-309, Annotated Code of Maryland, that is administered by the Office of the State Treasurer;
- (9) Tradeable time deposits denominated in U.S. dollars and issued or endorsed by either:

(a) A bank or a savings and loan association organized and supervised under federal law or the laws of any state and regulated by the Federal Reserve or a trust company which is a member of the Federal Reserve system; or

(b) A bank organized and supervised under the laws of a foreign country that is rated AA/Aa/AA or higher by at least two nationally recognized statistical rating organizations;

(10) Obligations of domestic corporations that are rated A-/A3/A- or higher by at least two nationally recognized statistical rating organizations;

(11) Bonds, notes, or other obligations issued by or on behalf of any state or any agency, department, county, municipal or public corporation, special district, authority, or political subdivision thereof, or in any fund or trust that invests only in securities issued by these entities that are rated A-/A3/A- or higher by at least two nationally recognized statistical rating organizations;

(12) Bonds, notes, or other obligations denominated in United States dollars, issued by and subject to the laws of a foreign country that is rated AA/Aa/AA or higher by at least two nationally recognized statistical rating organizations;

(13) Mortgage-backed obligations:

(a) Guaranteed by the United States or a federal agency or a federal instrumentality that were issued in accordance with an act of Congress; and

(b) Having received the highest possible rating from at least two nationally recognized statistical rating organizations;

(14) Asset-backed obligations having received the highest possible rating from at least two nationally recognized statistical rating organizations; and

(15) Non-tradeable time deposits denominated in U.S. dollars and:

(a) Issued or endorsed by either:

(i) A bank or a savings and loan association organized and supervised under federal law or the laws of any state and regulated by the Federal Reserve or a trust company which is a member of the Federal Reserve system; or

(ii) A bank organized and supervised under the laws of a foreign country that is rated AA/Aa/AA or higher by at least two nationally recognized statistical rating organizations; and

(b) Having received:

(i) For obligations with maturities of less than 1 year, at least two ratings of A-1/P1/F-1 or higher from at least two nationally recognized statistical rating organizations; and

(ii) For obligations with maturities of greater than 1 year, at least two ratings of AA/Aa/AA or higher from at least two nationally recognized statistical rating organizations.

B. An investment officer may invest public money in a given type of security not more than the following percentage of the overall investment portfolio over which the investment officer manages:

- (1) For a security permitted by §A(1) of this regulation, 100 percent;
- (2) For a security permitted by §A(2) of this regulation, 100 percent;
- (3) For a security permitted by §A(3) of this regulation, 40 percent;
- (4) For a security permitted by §A(4) of this regulation, 75 percent;
- (5) For a security permitted by §A(5) of this regulation, 20 percent;
- (6) For a security permitted by §A(6) of this regulation, 35 percent;
- (7) For a security permitted by §A(7) of this regulation, 50 percent;
- (8) For a security permitted by §A(8) of this regulation, 100 percent;
- (9) For a security permitted by §A(9) of this regulation, 35 percent;
- (10) For a security permitted by §A(10) of this regulation, 25 percent;
- (11) For a security permitted by §A(11) of this regulation, 25 percent;
- (12) For a security permitted by §A(12) of this regulation, 20 percent;
- (13) For a security permitted by §A(13) of this regulation, 25 percent;
- (14) For a security permitted by §A(14) of this regulation, 25 percent; and
- (15) For a security permitted by §A(15) of this regulation, 35 percent.

## **COMAR 25.03.04.05**

.05 Additional Requirements.

A. The State Treasurer may adopt additional requirements for the State investment portfolio and for the investment policies of local government units.

B. The State Treasurer shall post on the State Treasurer's Office website any additional requirements implemented in accordance with this regulation.

## **COMAR 25.03.04.06**

.06 Exception for Emergencies and Catastrophic Events.

The State Treasurer may make investment decisions inconsistent with this chapter if:

A. Either:

(1) The Governor of the State of Maryland has declared a state of emergency in accordance with Public Safety Article, §14-107, Annotated Code of Maryland; or

(2) A catastrophic event occurs that the State Treasurer determines could dramatically shift credit ratings on any of the assets in the portfolio; and

B. The State Treasurer determines the investment decisions are in the best interest of the State.

# COMAR 25.03.04.9999

## Administrative History

### Effective date:

Regulations .01—.06 adopted as an emergency provision under new COMAR Chapter .04 Policy Regarding the Investment of Public Money effective April 25, 2024 (51:11 Md. R. 577); emergency status expired October 22, 2024

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Regulations .01—.06 adopted under new COMAR Chapter .04 Policy Regarding the Investment of Public Money by the State of Maryland effective November 11, 2024 (51:22 Md. R. 964)