

CASH MANAGEMENT POLICY BOARD
Statutory Authority: 29 **Delaware Code**, Section 2716 (29 **Del.C.** §2716)
1 **DE Admin. Code** 1201

FINAL

REGULATORY IMPLEMENTING ORDER

1201 Statement of Objectives and Guidelines for the Investment of State of Delaware Funds

The Cash Management Policy Board (the “Board”) hereby adopts and issues this ORDER repealing the prior guidelines and promulgating revised guidelines for the deposit and investments of State funds (the “Guidelines”).

I. BACKGROUND

The Board is authorized by statute to establish policies (a) for the investment of all money belonging to the State or on deposit from its political subdivisions, except money deposited in any State Pension Fund or the State Deferred Compensation Program, and (b) to determine the terms, conditions, and other matters relating to those investments, including the designation of permissible investments. See 29 **Del.C.** §2716(a). The Board previously promulgated Guidelines that, among other things, govern the deposit of State funds in demand deposit accounts and the purchase and sale of securities by the State’s investment managers. See 1 **DE Admin. Code** §1201.

The Board, upon the recommendations of its investment subcommittee, has proposed changes to the Guidelines. The changes: (1) provide a definition for the capitalized term “Merchant Bank” and require the Office of the State Treasurer (“OST”) to reflect approved Merchant Banks on the list of accounts and cash management banks that OST is required to maintain on its website; (2) extend the reserve account maturity restriction from 10 years to 10 years and one month to permit managers to invest in securities that would otherwise be disqualified because of a technical timing issue; (3) clarify that, where the Guidelines require two or more ratings from a nationally recognized statistical rating organization, the lowest such rating shall control; (4) clarify the deadline for managers to remove securities that (a) were purchased in violation of the Guidelines, or (b) cease to qualify as permissible investments as the result of a downgrade; and (5) modify the mutual fund exception to require endowment or other managers utilizing a mutual fund to adhere to those specific provisions of the Guidelines that OST, after consultation with the Board’s consultant, determines should apply to and govern the account. The Board, after a public meeting on August 26, 2020, and by unanimous vote, approved revised Guidelines for proposal under Delaware’s Administrative Procedures Act, 29 **Del.C.** Ch. 101 (the “APA”).

In accordance with the APA, OST caused notice and a copy of the revised Guidelines to be published in the *Delaware Register of Regulations*, Vol. 22, Issue 4, from October 1, 2020 through October 31, 2020. No comments were received relating to the proposed changes. The revised Guidelines are approved as proposed.

II. FINDINGS OF FACT

The Board, for the reasons discussed in detail at, and reflected in the minutes of, the Board meeting convened on August 26, 2020, finds that the revised Guidelines are necessary and appropriate to ensure the safe deposit and prudent investment of State funds.

III. DECISION TO AMEND THE REGULATION

For the foregoing reasons, the Board concludes that it is appropriate to repeal the Guidelines presently published at 1 **DE Admin. Code** §1201 and replace them with the revised Guidelines attached hereto as Exhibit A.

IV. TEXT AND CITATION

The text of 1 **DE Admin. Code** §1201, as amended hereby, shall be in the form attached hereto as Exhibit A and shall be cited as 1 **DE Admin. Code** §1201, Objectives and Guidelines for the Investment of State of Delaware Funds.

V. EFFECTIVE DATE

The effective date of this Order shall be ten (10) days after the date this Order is published in the *Delaware Register of Regulations*.

IT IS SO ORDERED the 2nd day of December, 2020.

John V. Flynn, Chair
Cash Management Policy Board

David Marvin, Chair
Investment Subcommittee

Manubhai C. Karia, Co-Chair
Investment Subcommittee

Warren C. Engle, Chair
Banking Subcommittee

Tarrie Miller, Co-Chair
Banking Subcommittee

Colleen C. Davis, Member
State Treasurer

Richard J. Geisenberger, Member
Secretary, Department of Finance

Jeffrey Bullock, Member
Secretary, Department of State

Michael Morton, Member
Controller General