

# Title 25

## OFFICE OF THE STATE TREASURER

### Subtitle 03 TREASURY MANAGEMENT

#### ***25.03.04 Policy Regarding the Investment of Public Money by the State of Maryland***

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

##### **Notice of Proposed Action**

[24-092-P]

The Office of the State Treasurer proposes to adopt new Regulations .01—.06 under a new chapter, **COMAR 25.03.04 Policy Regarding the Investment of Public Money by the State of Maryland**.

##### **Statement of Purpose**

The purpose of this action is to ensure that public money is invested that will:

- (1) Provide the highest interest return;
- (2) Conform to all State laws governing the investment of all public money; and
- (3) Specify the asset classes thresholds for maximum investments.

##### **Estimate of Economic Impact**

The proposed action has no economic impact.

##### **Economic Impact on Small Businesses**

The proposed action has minimal or no economic impact on small businesses.

##### **Impact on Individuals with Disabilities**

The proposed action has no impact on individuals with disabilities.

##### **Opportunity for Public Comment**

Comments may be sent to Jonathan Martin, Chief Deputy Treasurer, Office of the State Treasurer, 80 Calvert St., Room 109, Annapolis, MD 21401, or call 410-260-7080, or email to [jmartin@treasurer.state.md.us](mailto:jmartin@treasurer.state.md.us). Comments will be accepted through October 7, 2024. A public hearing has not been scheduled.

##### ***.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.*

##### ***.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.*

##### ***.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.

#### **.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.*

***.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.*

***.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.*

JONATHAN MARTIN  
Chief Deputy Treasurer