

200 KAR 14:091. Guidelines for money market instruments.

RELATES TO: KRS 41.610, 42.014(1), 42.500, 42.505-42.545

STATUTORY AUTHORITY: KRS 42.500(10), 42.520(2), 42.525

NECESSITY, FUNCTION, AND CONFORMITY: KRS 42.500(10) requires the State Investment Commission to promulgate administrative regulations for the investment and reinvestment of state funds. KRS 42.520(2) requires the commission to promulgate administrative regulations concerning the assignment of priorities to public depositories. KRS 42.525 requires the State Investment Commission to prescribe standards for the operation of the state's investment program. This administrative regulation establishes the standards which shall apply to the use of certain money market instruments which include bankers' acceptances, commercial paper, and negotiable collateralized and uncollateralized certificates of deposit.

Section 1. Definitions.

- (1) "Bankers' acceptance" means a short-term negotiable discount note drawn on and accepted by a bank or trust company which is obligated to pay the face value amount at maturity.
- (2) "Commercial paper" means an unsecured promissory obligation having a maturity of less than 270 days.
- (3) "Commission" means the State Investment Commission.
- (4) "NRSRO" means "Nationally Recognized Statistical Ratings Organization", which is a credit rating agency that is registered with the Securities and Exchange Commission, and which provides its opinion on the creditworthiness of an entity and the financial obligations issued by that entity.
- (5) "Office" means the Office of Financial Management.

Section 2. Bankers' Acceptances.

- (1) The office may purchase bankers' acceptances if rated in the highest short-term rating category by an NRSRO.
- (2) The purchase of these instruments shall be:
 - (a) Made on a delivery versus payment basis; and
 - (b) Held in the Commonwealth's account in whatever depository shall be designated as eligible by the commission.
- (3)
 - (a) Investment in bankers' acceptances shall be made for a period of no longer than 180 days per investment.
 - (b) The total amount of the investment in this security shall not exceed the amount of twenty-five (25) million dollars in one (1) institution at a time.

Section 3. Commercial Paper.

- (1) The office may purchase commercial paper rated in the highest short-term rating category by an NRSRO.
- (2) The purchase of these instruments shall be:
 - (a) Made on a delivery versus payment basis; and
 - (b) Held in the Commonwealth's account in whatever depository shall be designated as eligible by the commission.
- (3) The investments in commercial paper shall be made for a period of no longer than 270 days per investment and the total amount of the investment in this security shall not exceed the amount of twenty-five (25) million dollars by any issuer at a time.

Section 4. Negotiable Certificates of Deposit, Collateralized and Uncollateralized.

- (1) The office may purchase collateralized certificates of deposit if issued by banks rated in one (1) of the three (3) highest categories by an NRSRO.

(2) The office may purchase uncollateralized negotiable certificates of deposit if issued by banks rated in one (1) of the two (2) highest categories by an NRSRO or subject to 200 KAR 14:200.

(3) The purchase of these instruments shall be:

(a) Made on a delivery versus payment basis; and

(b) Held in the Commonwealth's account in whatever depository shall be designated as eligible by the commission.

(4)

(a) Investment in negotiable certificates of deposits shall be made for a period of no longer than 270 days per investment unless specifically authorized by KRS 41.610.

(b) The total amount of investments in certificates of deposit shall not exceed the amount of twenty-five (25) million dollars in any one (1) institution at a time.

Section 5. Limit of Money Market Instruments of the State's Total Portfolio. The aggregate investment in bankers' acceptances, commercial paper, and negotiable certificates of deposit shall not exceed thirty-five (35) percent of the Commonwealth's total investment portfolio.

(19 Ky.R. 540; Am. 1068; eff. 10-22-1992; 26 Ky.R. 422; 996; eff. 10-28-1999; 39 Ky.R. 820; 1111; eff. 1-4-2013; Crt eff. 5-10-2019.)