

FINANCE AND ADMINISTRATION CABINET
State Investment Commission
(Amendment)

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

RELATES TO: KRS 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 commission approved 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) Investment in bankers' acceptances shall be made for a period of no longer than 180 days per investment.

Section 3. Commercial Paper.

- (1) The office may purchase commercial paper rated in the highest short-term rating category by commission approved 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) Investments in commercial paper shall be made for a period of no longer than 270 days per investment.

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 commission approved 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 commission approved NRSRO.

(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) 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.

Section 5. Limits of Money Market Instruments Per Pool. The aggregate investment in bankers' acceptances, commercial paper, and negotiable certificates of deposit shall not exceed thirty-five (35) percent of pool assets or \$25,000,000 per issuer.

KIM BECHTEL, Deputy Executive Director

APPROVED BY AGENCY: August 14, 2024

FILED WITH LRC: August 15, 2024 at 8:30 a.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Wednesday, October 23, 2024, at 10:00 a.m. Eastern time, at the Kentucky Finance and Administration Cabinet, Room C117, 200 Mero Street, Frankfort, Kentucky 40622. Individuals interested in being heard at this hearing shall notify this agency in writing five workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until 11:59 p.m. on Thursday, October 31, 2024. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Laura Sharp, Administrative Specialist III, Office of General Counsel, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622; phone (502)564-6660, fax (502)564-9875, email laura.sharp@ky.gov.