



BOARD ADOPTED POLICIES

POLICY NUMBER: 2.05.500

EFFECTIVE DATE: 10/25/01

TITLE: Commercial Paper Investment Policy
For State and Local Governments

SUPERSEDES: 2/18/99

BOARD ADOPTION: 710/25/01

APPROVED: *Joseph A. Dear*

PURPOSE

This policy establishes guidelines, as required by RCW 43.84.080 and RCW 39.59.020, enabling the State Treasurer and, subsequently, local governments to invest in commercial paper.

POLICY

RCW 39.59.020(4) authorizes local government to invest in ". . . any investments authorized by law for the treasurer of the state of Washington . . ." and the State Treasurer is authorized by law to invest in commercial paper by RCW 43.84.080(7), but only to the extent consistent with the policy of the Washington State Investment Board (WSIB).

The policy guidelines, with respect to investment in commercial paper, for entities with funds under management of *less than \$10 billion*, are as follows:

1. Commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations (NRSROs), at the time of purchase. If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
2. Commercial paper holdings may not have maturities exceeding 180 days.
3. Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of an NRSRO.
4. The percentage of commercial paper may not exceed 25 percent of the total assets of the portfolio.
5. The percentage of commercial paper that can be purchased from any single issuer is five percent of the total assets of the portfolio.
6. Commercial paper must be purchased in the secondary market and not directly from the issuers.

7. Portfolio managers will routinely monitor the ratings of the issuers of the commercial paper they are purchasing. Appropriate personnel will be notified of any credit rating downgrades of issuers of any commercial paper in their portfolios.

The policy guidelines, with respect to investment in commercial paper for the WSIB and entities with funds under management of *more than \$10 billion*, are as follows:

1. Commercial paper must be rated at the time of purchase in one of the **two** highest rating categories of an NRSRO.
2. Not more than 15 percent of commercial paper holdings may be placed in second-tier securities, which shall mean any security that is rated (or has been issued by an issuer that is rated) by:
 - a. Two or more NRSROs and, at the time of purchase, has not been rated within the highest rating category by any two NRSROs; *or*,
 - b. Only one NRSRO at the time of purchase and that rating is not in the highest rating category.
3. Commercial paper backed by a direct letter of credit from a financial institution must have a long-term credit rating at the time of purchase in one of the three highest rating categories (within which there may be subcategories or gradations indicating relative standing) by at least two NRSROs.
4. Commercial paper holdings may not have maturities exceeding 270 days.

Commercial paper may be purchased directly from the issuers.

POLICY REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

Policy Adopted 3/16/95

Revised 2/18/99

Revised 10/25/01, Supersedes SIB Policy 2.15.101

Reviewed 7/20/06