

**UNIVERSITY OF CENTRAL ARKANSAS**  
**BOARD POLICY**

Policy Number: 600

Subject: Investments and Collateralizations

Date Adopted: 12/88 Revised: 02/00, 11/01, 02/13, 08/16, 12/16

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**1. INVESTMENTS**

Subject to the direction of the president, the vice president for finance and administration shall be responsible for the management of the cash assets of the University of Central Arkansas. The vice president for finance and administration, or such other persons as authorized by the president, is authorized and directed to invest all funds not needed to meet current cash flow requirements. The university has cash and investments that are held by the State Treasury, the Bond Trustee and the UCA Foundation. The investment and collateralization of these assets is monitored by these other entities and their separate policies.

In investing university funds, the university shall seek to obtain the highest possible rate of return, with due consideration given to the dollar yield after taking into account the date of maturity, date the funds will be needed, the interest rate quoted, and the default risk factor of the investment.

- a. The university may invest in certificates of deposit with a depository institution that is a member of the Federal Deposit Insurance Corporation (“FDIC”), provided that all invested monies in excess of the FDIC limit be collateralized according to the requirements of the university's collateralization policy.

Before investing in certificates of deposit, a formal bid shall be required from depository institutions. The institution submitting the highest stated rate of interest and complying with the university’s collateralization and other investment requirements will be awarded the bid. In the event the highest rate offered results in a tie, the bid will be awarded at the discretion of the vice president of finance and administration based on which institution currently holds the investment and/or other objective methods, which are in the best interest of the university.

- b. The university may invest in Treasury bills or other direct and fully-guaranteed obligations of the United States and its agencies. However, funds may also be invested to enhance the investment productivity of endowment, donated, and other funds as follows:
  - i. The university may invest endowment and other funds with an investment management service that provides asset allocation assistance for colleges and

universities. Under this service the funds chosen for investment will be limited to obligations of the United States; federal agency obligations; domestic and foreign bank certificates of deposit; commercial paper; high quality stocks and bonds; Euro-dollar obligations of U.S. banks; and repurchase agreements.

- ii. The university may invest cash or other gifts donated to the university directly in fully-guaranteed obligations of the United States or its agencies; in high quality stocks and bonds; or in other equities and interests.

In order to facilitate the management of university investments, the president is authorized to enter into the appropriate agreements with investment management services or brokers. In all investment transactions, the university's priority will be in the safety, liquidity, and control of its invested cash.

- c. The university may also invest in a short-term investment service with a depository institution that is a member of the FDIC, provided that all invested monies in excess of the FDIC limit are collateralized according to the requirements of the university's collateralization policy.

Before investing in said service, a formal bid must occur. The institution that submits the highest stated rate of interest, complies with the university's collateralization policy, and provides liquidity within 24-hours will be awarded the bid.

## 2. **COLLATERALIZATIONS**

In order to assure the security of the university's demand deposit accounts and its investments, the university's monies shall be fully, and continuously, collateralized whenever such investments/deposits exceed the limits of FDIC or other insurance. Pledged collateral for the university's deposits/investments must meet the following minimum requirements:

- a. The vice president for finance and administration will have authority to enter into a collateral agreement with depository institutions and custodian banks that conform to the collateral requirements stated in this policy.
- b. Pledged security shall be maintained by the custodian bank's trust department.
- c. Eligible security for deposits must consist of the following: direct obligations of the United States Government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidences of indebtedness; bonds of the University of Central Arkansas and; general obligation and revenue bonds issued by United States municipalities and political subdivisions. All pledged securities will have a Standard & Poor's and/or Moody's rating of at least "A."
- d. All pledged security shall be valued at market (not par) value, and the aggregate must be equal to at least 110% of the deposits/investments. However, in instances

where the president deems it to be in the best interest of the university, he or she is authorized to require the security be not less than 100% of the deposits/investments. The collateral is to be adjusted immediately by the depository institution when its market value falls below the minimum percentage requirements.

- e. Failure to maintain the minimum collateral requirements may jeopardize the future banking relationship between the university and the depository institution.
- f. The vice president for finance and administration, or such other persons as authorized by the president, has the right to accept or disallow specific security offered by the depository institution as pledged collateral. In no event shall the acceptance conflict with the university's minimum collateral standards as stated herein.
- g. The depository institution shall provide a monthly custody pledge statement detailing the pledged securities, their respective market values, and ratings (Standard & Poor's and/or Moody's). They will also deliver notifications of new pledged securities and pledged security releases. These reports shall be furnished to the university by the 10th working day of the following month.
- h. The security shall be delivered only upon the written order and instructions of the university's vice president for finance and administration.
- i. Responsibility for the university's adherence to this policy rests with the vice president for finance and administration with the assistance of such other persons as authorized by the president.

The collateral requirements as stated above shall not apply to: (a) investments with investment management services; or (b) equity investments representing funds donated to the university from private sources.