

# **DORMITORY AUTHORITY INVESTMENT POLICY and GUIDELINES**

## **I. SCOPE**

The Investment Policy and Guidelines (the “Investment Policy”) applies to the investment of all moneys on DASNY’s behalf or by DASNY on behalf of any entity or individual, including funds held by a trustee under financing documents authorized by the Board.

## **II. DELEGATION OF AUTHORITY**

The Board shall review and approve the Investment Policy at least annually. The Board may modify the Investment Policy at any time.

The Board’s responsibility for administration of the investment program is delegated to DASNY’s Office of Finance, which shall establish written procedures for the operation of the investment program consistent with this Investment Policy. These responsibilities shall include the evaluation of the investment program by monitoring the system of internal controls, verifying relevant matters related to the securities purchased or held as collateral at least semiannually and on an unscheduled basis, determining that the investment results are consistent with the Board’s objectives and reviewing any independent audits of the investment program.

## **III. PRUDENCE**

The Board and management of DASNY and others responsible for making investment decisions for DASNY shall make such decisions with the judgment, care, skill, prudence and diligence, under the circumstances then prevailing, that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## **IV. INVESTMENT PROGRAM OBJECTIVES**

The primary objectives of DASNY’s investment program in conformity with all applicable federal, state, and other legal requirements, including any applicable bond resolution (legal), are, in priority order, to:

- A. adequately safeguard principal (safety);
- B. provide sufficient liquidity to meet the purposes for which the funds are being held (liquidity);
- C. obtain a reasonable rate of return, subject to any applicable requirements imposed by Federal Tax Law (yield); and

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D. maintain procedures that allow for diversification of investment firms used by DASNY and to ensure opportunity for participation by minority and women owned investment firms in investment activity by DASNY and in the activities of investment firms engaged by DASNY to manage or invest funds under the supervision of DASNY.

### **V. DIVERSIFICATION**

It is the policy of DASNY to monitor the diversification of its investments by financial institution, investment instrument, and maturity; and to provide quarterly reports of such diversification levels to the Board. However, given that clients are often responsible for the selection of financial institutions to which investments are directed, permitted investments are defined in bond resolutions and at times may be client directed, and maturities are determined based upon estimated cash flow requirements which are typically short term; standard diversification thresholds are not practicable.

### **VI. INTERNAL CONTROLS**

The Office of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that investments are made in accordance with this Investment Policy; are protected from loss, theft or misuse; and that transactions are recorded properly.

The organizational structure of DASNY's Office of Finance will provide for a separation of duties between the authorization of investments transactions, the execution of investment transactions and the accounting for investments. The Board shall, by separate Resolution, designate those officers and employees of DASNY that are authorized to approve and execute investment transactions.

### **VII. SELECTION OF INVESTMENT FIRMS**

The Office of Finance shall maintain a list of approved investment firms which may serve as trustee, custodian or broker-dealer, however, any resolution authorizing a series of bonds, or any supplement thereto, may permit the consideration of banks and brokers not on such list, if appropriate under the circumstances, provided that such banks and brokers meet the criteria specified in this Investment Policy.

Each trustee or custodian shall:

- A. be a banking organization authorized to do business in the State of New York having a minimum equity capital of \$125,000,000;
- B. be a member of the Federal Reserve Bank or maintain accounts with member banks; and
- C. have unsecured long term debt obligations, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such entity, which at the time any trustee or custodial relationship is

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entered into by DASNY, is rated in at least the third highest rating category, without regard to qualification of such rating by symbols such as "+", or "-" and numerical notation, by at least one nationally recognized statistical rating organization.

The Office of Finance is responsible for annually evaluating the list of approved trustees, custodians and broker-dealers by considering any or all of the following criteria:

- A. creditworthiness and financial position of the firm;
- B. compliance and member in good standing with the registration requirements of the firm and the individuals providing service;
- C. general reputation of the firm and the individuals providing service;
- D. compliance with SEC's net capital and other regulatory requirements;
- E. experience with permitted investments including volume of US and government securities traded;
- F. efficiency of trade execution and settlement process;
- G. research capabilities of the firm;
- H. diversity practices;
- I. pricing; and
- J. such other factors as may be deemed relevant.

Any criteria listed herein may be in addition to the requirements of any bond resolution pertaining to the funds to be invested under such bond resolution. The Treasurer may modify the list of approved trustees, custodians and broker-dealers at any time as deemed appropriate; and based on the nature of the investment transaction may establish limits on the types and amounts of investments that can be made with each trustee or custodian or executed with each broker-dealer.

### **VIII. PERMITTED INVESTMENTS**

Subject to the provisions of the law relating to DASNY and provisions of applicable bond resolutions the Board hereby authorizes the Office of Finance to invest moneys not required for immediate expenditure in the following types of investments:

- A. obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America;
- B. obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by any agency or instrumentality of the United States of America

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- that are rated in at least the second highest rating category by at least two nationally recognized statistical rating organizations;
- C. certificates or other instruments which evidence the ownership of or the right to receive the payment of the principal and guaranteed interest on obligations of the type enumerated in paragraphs A and B of this Section;
  - D. obligations of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, (i)(A) the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code (may be referred to as "Exempt Obligations" in bond resolutions) and which is not a "specified private activity bond" within the meaning of Section 57 (a)(5) of the Internal Revenue Code, or (B) which qualifies as a "build America bond" within the meaning of Section 54AA of the Internal Revenue Code, and (ii) are rated in at least the second highest rating category by at least two nationally recognized statistical rating organizations;
  - E. shares or interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose objective is to maintain a constant share value of \$1.00 per share, that is rated in the highest short term rating category by at least one nationally recognized statistical rating organization, and at the time such investment is made, such fund had a minimum asset value of \$500 million;
  - F. commercial paper issued by a domestic corporation rated in the highest short term rating category by at least two nationally recognized statistical rating organizations and having maturities of not longer than 270 days from the date they are purchased;
  - G. bankers' acceptances issued by a bank rated in the highest short term rating category by at least two nationally recognized statistical rating organizations and having maturities of not longer than 365 days from the date they are purchased;
  - H. investment agreements, in accordance with Section X hereof; and
  - I. certificates of deposit, in accordance with Section XI hereof.

All specified ratings shall be without regard to qualification of such rating by symbols such as "+", or "-" and numerical notation. In addition, the Board and Treasurer may, as deemed appropriate, also specifically authorize other investments that are consistent with the objectives enumerated in Section IV hereof, however, if such discretion is exercised by the Treasurer, then notice shall be given to the Board after the fact.

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### **IX. INVESTMENT TRANSACTIONS**

The Board shall, by separate Resolution, designate those officers and employees of DASNY that are authorized to approve and execute the purchase, sale or transfer of Permitted Investments and funds. Permitted Investments shall be purchased, sold or presented for redemption only in accordance with authorization from an authorized officer or employee either provided prior in writing or by execution through a secure electronic means. The execution through a secure electronic means shall mean providing instructions through an electronic facility requiring the applicable authorization codes, passwords and/or authentication keys issued by the trustee or custodian bank. If the authorization is initially given verbally, it shall be effective once confirmation, either in writing or by secure electronic means, has been subsequently transmitted to the trustee or custodian bank. Authorization provided or confirmed in writing shall be evidenced either by the authorized officer or employee of DASNY (1) initialing the investment instruction schedule that is prepared when executing certain investments (i.e. construction funds and operating funds) or (2) signing the investment authorization letter instructing the trustee or custodian to make other investments (i.e. reserve funds, redemption funds and debt service funds). Authorization provided or confirmed through secure electronic means shall be evidenced by the generation of a detailed report from the trustee's or custodian bank's electronic facility reflecting the execution of the transactions.

The purchase of investments requires competitive bidding at the direction of DASNY either by banks and broker-dealers meeting the criteria specified herein or by banks and broker-dealers selected by the government securities department of DASNY's trustee or custodian; except that such competitive bidding is not required for the purchase of U.S. Government or agency or instrumentality securities at their initial auction.

Payment of funds shall only be made against the delivery of (i) collateral or other acceptable form of security (ii) obligations when such obligations are purchased outright or (iii) evidence of ownership in the Permitted Investment; in each case either to DASNY or its duly authorized trustee or custodian. All Permitted Investments shall be held by DASNY's custodian.

The purchase of Permitted Investments set forth in Section VIII. A, B, C, D, F, and G herein, may only be purchased from approved broker-dealers meeting minimum net capital requirements under the Securities and Exchange Commission's Rule15C3-1. Permitted Investments set forth in Section VIII. A, B, C, D, E, F, and G herein, are not required to be made pursuant to a written contract as it is not common business practice.

All such transactions shall be confirmed to DASNY, in writing. Such written confirmations may be in the form of a monthly statement of activity or individual confirmation statements.

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Records of investments shall be maintained and identify the security, the fund for which held, the place where kept, trade and settlement date, cost, sale price, market value and custodian of collateral.

### **X. INVESTMENT AGREEMENTS**

Investment Agreements, which shall include repurchase agreements, yield protection agreements and forward delivery agreements, will be purchased only from the following eligible Trading Partners:

- A. a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York's list of primary government securities dealers and (b) whose senior unsecured long term debt is, at the time an investment is made, rated in at least the second highest rating category by at least one nationally recognized statistical rating organization, or, in the absence of a long term debt rating , whose short term debt is rated in the highest short term rating category by at least one nationally recognized statistical rating organization; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Applicable Credit Facility Issuer;
- B. a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America or any foreign nation, whose senior unsecured long term debt is, at the time an investment is entered into, rated in at least the second highest rating category by at least one nationally recognized statistical rating organization, or in the absence of a long term debt rating, whose short term debt is rated in the highest short term rating category by at least one nationally recognized statistical rating organization; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Applicable Credit Facility Issuer;
- C. a corporation affiliated with or which is a subsidiary of any entity described in (A) or (B) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity whose senior unsecured long term debt is, at the time an investment is entered into rated in at least the second highest

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- rating category by at least one nationally recognized statistical rating organization, or, in the absence of a long term debt rating, whose short term debt is rated in the highest short term rating category by at least one nationally recognized statistical rating organization; provided however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Applicable Credit Facility Issuer;
- D. the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, the Student Loan Marketing Association or any successor thereto, or any other federal agency or instrumentality approved by DASNY.
  - E. a corporation, whose obligations, including any investments purchased from such corporation for the accounts of the trustee under the applicable bond resolution, are insured by an insurer that meets the applicable rating requirements set forth above.

Each eligible Trading Partner described above must (i) have a minimum equity capital of \$125,000,000 or (ii) have its obligations unconditionally guaranteed by an affiliate or parent having a minimum equity capital of \$125,000,000.

Investment Agreements shall, in addition to any requirements contained in the applicable bond resolution, be subject to the following requirements:

- A. a written agreement which, among other things: (i) sets forth the terms of the transaction and the respective rights of DASNY and its Trading Partner; (ii) satisfies the collateral provisions required herein; (iii) includes a description of the events of default that would permit DASNY or its trustee or custodian to liquidate or purchase the underlying securities; (iv) provisions for reasonable cure periods for events of default; (v) provisions for the corrective measures available to be taken, if any, in the event that any rating assigned to a Trading Partner by a nationally recognized statistical rating organization shall be downgraded, which measures may include delivery of additional collateral; and (vi) if applicable, contains those provisions necessary to enable the Investment Agreement to constitute either a “repurchase agreement” for purposes of the Bankruptcy Code or a “qualified financial contract” for purposes of Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (“FIRREA”). The agreement shall permit the liquidation or purchase of the underlying securities if any such measures are ineffective.
- B. to the extent the Investment Agreement is a Repurchase Agreement the Agreement shall be for no more than 90 days and must be purchased only from a bank or trust company authorized to do business in the State of New York or from broker-dealers, the liquidation of which is subject to the Securities Investors

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Protection Corporation or other similar corporation and which is on the Federal Reserve Bank of New York's list of primary government securities dealers with unsecured or uncollateralized long term debt obligations which, at the time any Investment Agreement is entered into by DASNY, are rated in at least the second highest rating category by at least one nationally recognized statistical rating organization, or in the absence of a long term rating, and if the nationally recognized statistical rating organization and credit enhancement facility in connection with related bond resolution under which moneys are invested, allows, is rated in the highest short term rating category by at least one nationally recognized statistical rating organization. Agreements which are open or continuing in nature shall not be made. DASNY shall execute a Master Repurchase Agreement with each Trading Partner which will outline the rights of both parties including (i) the events of default which would permit the purchaser to liquidate the pledged collateral; (ii) the relationship between parties to the agreement, which shall ordinarily be purchaser and seller; (iii) procedures which ensure that DASNY obtains a perfected security interest in the securities which are the subject of the agreement; (iv) the method of computing margin maintenance requirements and providing for timely correction of margin deficiencies and (v) circumstances, if any, under which substitution of securities subject to the agreement shall be permitted.

### **XI. CERTIFICATES OF DEPOSIT**

Certificates of Deposits will be purchased only from banking organizations authorized to do business in the State of New York with minimum equity capital of \$125,000,000 and having unsecured or uncollateralized long term debt obligations, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such entity, which at the time any Certificate of Deposit is entered into by DASNY, a rating in at least the second highest rating category by at least one nationally recognized statistical rating organization.

Certificates of Deposits shall, in addition to any requirements contained in the applicable bond resolution, be subject to a written agreement which, among other things: (i) sets forth the terms of the transaction and the respective rights of DASNY and its Trading Partner; (ii) satisfies the collateral provisions required herein; (iii) includes a description of the events of default that would permit DASNY or its trustee or custodian to liquidate or purchase the underlying securities; (iv) provisions for reasonable cure periods for events of default; and (v) provisions for the corrective measures to be taken in the event that any rating assigned to a Trading Partner by a nationally recognized statistical rating organizations shall be downgraded, which measures may include delivery of additional collateral. The agreement shall permit the liquidation or purchase of the underlying securities if any such measures are ineffective.

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### **XII. SAFEKEEPING and COLLATERALIZATION**

Investment Agreements, and certain other investments as may be required by specific bond resolutions, are to be fully secured by collateral, other than yield protection agreements. In addition, Certificates of Deposit, demand deposits and time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be fully secured by collateral as specified herein. A custodial bank shall be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of securities to the credit of DASNY. Custodians must have prior authorization from DASNY to deliver obligations and collateral. Delivery of obligations shall only be made upon receipt of funds. The following shall apply when collateral is required:

- A. DASNY shall enter into a written custodial agreement that shall provide that the collateral (i) is being held by a third-party bank or trust company, as agent of and custodian for the sole benefit of DASNY; (ii) will be segregated in DASNY's name and kept separate and apart from the general assets of the custodial bank or trust company; (iii) will not, under any circumstances, be commingled with or become part of the collateral for any other deposit or other liabilities; and (iv) is pledged to secure DASNY's investment, together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such investment upon default. In addition, the custodial agreement will (i) require the custodian to confirm the receipt, substitution or release of the collateral; (ii) provide for the frequency of revaluation of eligible securities (iii) include all provisions necessary to provide DASNY a perfected first security interest in the collateral; (iv) require the custodian bank to subordinate any claims it may have against the pledged collateral, (v) provide the conditions under which the collateral may be sold, presented for payment, substituted or released and the events that will enable DASNY to exercise its rights against the collateral, and (vi) require that in the event that the collateral is not registered or inscribed in the name of DASNY, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to DASNY, trustee or its custodial bank. DASNY shall not accept a pledge of a proportionate interest in a pool of collateral. No substitution of securities will be allowed except as permitted by the applicable agreement and with the written approval of DASNY.
- B. Acceptable collateral shall be limited to the following except as provided in existing custodial agreements:
  - i. obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America
  - ii. obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by any agency or instrumentality of the United States of America that are rated in at least the second highest rating category by at least two nationally recognized statistical rating organizations

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- iii. Contract of financial guaranty, surety or other similar bonds or other investments purchased from an insurance company holding the highest rating (A+XII best rating or higher or the highest rating offered by any other nationally recognized statistical rating organization) having a minimum equity capital of \$125,000,000 and which regularly deals in such contracts, bonds or instruments.
- iv. Irrevocable letters of credit issued by a federal home loan bank.

All specified ratings shall be without regard to qualification of such rating by symbols such as "+", or "-" and numerical notation.

- C. eligible securities that are pledged as collateral shall be physically delivered to a third party bank or trust company unless the securities are in book-entry form in which event the trustee's or custodian's interest, as trustee or custodian, shall be recorded on the records of the Federal Reserve Bank and the custodian shall evidence its receipt thereof by delivery of appropriate confirmation to DASNY and trustee.
- D. securities held as collateral shall be priced as set forth in each applicable resolution supplemental thereto, but in any event at least weekly, by DASNY and at least weekly by the trustee, custodian or Trading Partner and compared to the principal and accrued interest on the investment. Trustee or custodian banks shall provide DASNY with a monthly report on activity occurring in DASNY's custodial account and the principal amounts and market values of all investments and collateral held.
- E. securities held as collateral for investments must have a readily determinable market value and be reconciled against DASNY's records. The market value and the accrued interest of the collateral shall be no less than the value of the investment and any accrued interest at all times. The mark to market reviews shall use the bid price from one constant source. Collateral deficiencies shall be cured within a reasonable period of time which is to be determined and specified within the custodial agreement.
- F. margin maintenance requirements, if determined to be necessary, shall be based upon the following criteria:
  - i. the size and terms of the transaction (including requirements of the applicable financing documents);
  - ii. the type of collateral;
  - iii. the maturity of the collateral;
  - iv. the capitalization, financial status and type of the Trading Partner; and
  - v. the method by which such margin will be maintained

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### **XIII. EFFECT OF NONCOMPLIANCE WITH INVESTMENT POLICY**

Failure by DASNY to comply with the provisions of this Investment Policy shall not be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds.

### **XIV. AUDIT REQUIREMENTS**

DASNY shall require its independent auditor to review its investment policies and practices to determine whether:

- A. DASNY complied with applicable laws, regulations and the State Comptroller's investment guideline requirements set forth in sections 201;
- B. DASNY complied with its own investment policies;
- C. investment assets were adequately safeguarded;
- D. adequate accounts and records were maintained which accurately reflect all transactions, including a report on the disposition of investment assets; and
- E. a system of adequate internal controls was maintained.

Securities purchased or held as collateral shall be verified at least semi-annually and on an unscheduled basis by DASNY's independent or internal auditors.

### **XV. INVESTMENTS ACQUIRED PURSUANT TO THE HEALTHCARE FINANCING CONSOLIDATION ACT OF 1995**

Notwithstanding the foregoing, the applicability of this Investment Policy with respect to certain investments acquired pursuant to Chapter 83 of the Laws of 1995 is hereby modified to permit the continued investment in and operations with respect to, such investments. Where an investment agreement entered into by the Medical Care Facilities Finance Agency (MCCFA) does not meet the minimum requirements of this Investment Policy, such agreement shall be deemed to be approved by the Board as an exception to this Investment Policy. Funds or securities held in the custody of the Commissioner of Taxation and Finance or the State Comptroller shall be deemed to be held in conformity with this Investment Policy.

### **XVI. ANNUAL INVESTMENT AND OTHER REPORTS**

Annually, DASNY shall prepare and approve an Investment Report in accordance with the provisions of section 2925(6) of the Public Authorities Law which shall include the following:

- A. this Investment Policy, including a list of resolutions authorizing the issuance of a series of bonds, or any supplement thereto, containing additional or different permitted investments;
- B. amendments to this Investment Policy since the last Investment Report;
- C. an explanation of this Investment Policy and amendments;

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- D. the results of the annual independent audit;
- E. the investment income record of DASNY; and
- F. a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer or other investment advisor, including trustee and custodian fees, since the last Investment Report.

The Annual Investment Report shall be submitted to the Division of the Budget and copies thereof shall be submitted to the Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. Copies of the Annual Investment Report shall also be made available to the public upon reasonable request.

The Office of Finance shall annually provide the Board with a list of banks, trust companies and broker-dealers with which DASNY is authorized to make investments and with which DASNY has made investments during the preceding year. The Board shall also annually receive a list showing the names of all institutions authorized to serve as trustees and custodians for DASNY and any trustees and custodians considered for new business.

The Treasurer will provide to the President and the Board, a quarterly report detailing any new investments, the inventory of existing investments and the selection of brokers, agents or dealers.

Approved: March 31, 2021

**RESOLUTION OF THE MEMBERS OF THE BOARD OF THE DORMITORY AUTHORITY  
OF THE STATE OF NEW YORK (DASNY) AMENDING THE DASNY INVESTMENT  
POLICY AND GUIDELINES**

**BE IT RESOLVED** by the Members of the Dormitory Authority of the State of New York that the DASNY Investment Policy and Guidelines, in the form originally approved by a Resolution adopted on November 30, 1983 and last amended by a Resolution adopted on May 6, 2020, are hereby amended and approved in the form attached hereto.

This Resolution shall take effect immediately.