

POLICY AND PROCEDURES MANUAL	SUBJECT Investment Policy		
	POLICY NO. 1.10	EFFECTIVE July 25, 1991	Amendment #2 October 22, 2013

1. Purpose

The purpose of the investment policy of the Capital Region Housing Corporation (CRHC) is to provide the framework for investment portfolio management. It is the policy of the CRHC to invest CRHC Surplus operating and replacement reserve funds in a manner that will provide the optimal blend of investment security and return while meeting the short and long term cash flow demands and comply with the statutory requirements of the *Local Government Act*.

2. Scope

The investment policy applies to all cash operating funds, capital funds and reserve funds.

3. Objectives

The investment of funds must reflect a conservative management philosophy based on three fundamental objectives, in the following order of priority:

3.1 Safety of Principal

Investments shall be made to ensure preservation of capital within the portfolio. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on individual securities and to maximize the yield from a blend of financial products.

3.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements.

3.3 Return on Investment

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints and liquidity requirements of the CRHC.

4. Standard of Care

4.1 Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

4.2 Ethics and Conflict of Interest

Staff responsible for investing shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

4.3 Delegation of Authority

Authority to manage the CRHC investment program is granted to the Financial Officer and is derived from Section 199 of the *Local Government Act* as follows:

Section 199: One of the officer positions established under section 196 must be assigned the responsibility of financial administration, which includes the following powers, duties and functions investing funds, until required, in investments referred to in section 183 of the *Community Charter* (investment of municipal funds).

5. Credit Risk Monitoring

In addition to in-house monitoring, the CRHC make use of the credit analysis of the Dominion Bond Rating Service. It must be recognized that the use of any credit analysis is an assessment and not a guarantee for safety of principal.

6. Authorized and Suitable Investments

Money held by the Capital Regional District may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

6.1 Investments in securities of a chartered bank or savings institution or any province must:

- i) Have a Dominion Bond Rating Service (DBRS) rating of R-1 mid or higher for Short term debt and a rating of AA for Long-term debt or Bonds or comparable ratings of another rating organization, indicating superior credit quality (See Appendix 1 of the policy).
- ii) Be purchased directly from the chartered bank, savings institution or province or from an investment dealer who is a member of the Investment Dealers Association who will act as an agent for the institutions with the approved DBRS rating.

- 6.2** Investments in credit union deposits must be covered by the *Financial Institution Act* of the Province of British Columbia which provides unlimited deposit insurance protection on all deposits in British Columbia credit unions.
- 6.3** Investments shall be held in the name of the CRHC by approved institutions.
- 6.4** Investments in any one security issue shall not exceed 10% of that security issue.
- 6.5** Investments with any one financial institution shall not exceed 20% of the District's maximum annual investment portfolio.
- 6.6** The percentage limits specified in items 6.4 and 6.5 do not apply to investments made in securities of Canada, the Province, the Municipal Finance Authority of British Columbia (MFA) or pooled investments funds under section 16 of the *Municipal Finance Authority Act*.

7. Investment Parameters

7.1 Diversification

The CRHC will diversify its cash reserve investments by security type and institution, taking into consideration the impact on return on investment.

7.2 Maturity

To the extent possible the CRHC shall attempt to match its investments with anticipated cash flow requirements. However, because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio shall be continuously invested in readily available funds to meet ongoing obligations. Long term investments may be acquired if the maturity is related to a specific program, and is made to coincide as nearly as practicable with the expected use of the funds attached to that program.

8. Competitive Bids

The CRHC shall solicit competitive verbal quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require immediate action. Under such circumstances competitive bids may not be sought provided that value can be substantiated by market data information services.

9. Safekeeping and Custody

All security transactions entered into by the CRHC shall be conducted on a delivery versus payment basis. The Treasurer must be satisfied that physical possession of the security is in possession or held by a custodial service.

10. Policy Review

This policy shall be reviewed periodically by the Financial Officer to ensure congruence with changing activities of the CRHC, market conditions, technology, evolving regulatory standards and private industry best practices. In addition, to insure periodic Finance and Corporate

Services Committee review, this policy will be reconsidered each time the CRD tenders its banking services.

11. Reporting & Monitoring

Interest income credited to the Administration Revenue shall be reported to the Board on the Quarterly Report. Housing Corporation staff, accountant and CRD Manager – Treasury will meet at least quarterly to review CRHC investments and earned interest. Interest income shall be allocated to the reserve accounts which will be reviewed annually for fairness.

Appendix 1

Dominion Bond Rating Service (DBRS) ratings on credit quality

Commercial Paper and Short Term Debt	Commercial Paper and Short Term Debt	Bond and Long Term Debt	Bond and Long Term Debt
DBRS Symbol	Credit Quality	DBRS Symbol	Credit Quality
R-1 (high)	Highest	AAA	Highest
R-1 (mid)	Superior	AA	Superior
R-1 (low)	Satisfactory	A	Satisfactory
R-2 (high)	Adequate	BBB	Adequate
R-2 (mid)	Adequate	BB	Speculative
R-2 (low)	Adequate	B	Highly Speculative
R-3 (high)	Speculative	CCC	Very Highly Speculative
R-3 (mid)	Speculative	CC	Very Highly Speculative
R-3 (low)	Speculative	C	Very Highly Speculative
D	In Arrears	D	In Arrears
NR	Not Rated		