

Title 19. Public Finance

Chapter III. State Board of Finance, Treasurer of State

Subchapter A. Generally

Part 12. Money Management Trust Policies and Procedures Manual

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"Amended February 8, 2022"

Subpart 1. General

19 CAR § 12-101. Purpose.

(a)(1) The State Treasury Money Management Trust is a vehicle to be used by state agencies, local governments, and subdivisions for enhancing investment opportunities and earnings of idle cash funds.

(2) Cash managers who may have been limited by small amounts of funds available for investment or by the complexities of today's investment environment can take advantage of the volume and expertise offered by the State Treasury.

(b)(1) The State Treasury Money Management Trust Act, Arkansas Code § 19-3-601 et seq., provides authorization for various entities to invest in the trust.

(2) This includes:

(A) State agencies;

(B) Any city, county, school district, or community college;

(C) Any department, instrumentality, or agency of any of those entities;

and

(D) The State Treasury.

(c) This part has been approved by the State Board of Finance.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-102. Objectives.

(a) The State Treasury Money Management Trust was designed to afford state agencies and other local governments another investment option for their cash funds.

(b) To that end, the trust's objectives will be:

- (1) Safety;
- (2) Liquidity; and
- (3) Return on investment.

(c) Participants with relatively small amounts of money can take advantage of the economies of scale provided by joint investment.

(d) All participants can take advantage of the State Treasury's internal compliance protocols.

Authority. Arkansas Code § 19-3-704.

Subpart 2. Participation Conditions

19 CAR § 12-201. Eligibility and enrollment.

(a) Eligible enrollees are defined by Arkansas Code § 19-3-603.

(b)(1) Once an entity has decided to participate and has authorized an officer to be responsible for State Treasury Money Management Trust transactions, the participant should complete the Participation Application form provided online (an example is included in this part).

(2) That form:

- (A) Is to be submitted via email; and
- (B) Will be kept on file with the State Treasury.

(3) That form provides the information necessary to establish an account and identifies the individual or individuals who will transact trust business on the participant's behalf.

(4) That form also serves as an acknowledgment that the participant agrees to accept the terms and conditions of the trust as established by law and this part.

(5) Instructions are provided with that form.

(c)(1) After the Participation Application form is received and processed, the participant will be advised of their trust account number.

(2) All future transactions or instructions from the participant should reference that account number in order to ensure proper completion of the transaction.

(d)(1) A Participant Information Revision form is provided and should be completed if any of the account information changes.

(2) Failure to give prompt notification of changes may result in delays in depositing, investing, or withdrawing funds.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-202. Deposits.

(a) Deposits to the State Treasury Money Management Trust must be made electronically, either by wire transfer or ACH.

(b) Initial deposits must be a minimum of one thousand dollars (\$1,000).

(c)(1) A deposit to an existing account may be made in any size.

(2) To make a deposit, a participant should first complete the online Deposit Form (an example is provided in this part) and submit via email to MMTrust@artreasury.gov.

(3) A Deposit Form must be received by the trust prior to a participant's initiation of a wire/ACH transfer.

(4) The participant should then direct its bank/agent to transfer the amount specified in the Deposit Form to the trust per the routing and account numbers provided securely by the trust managers.

(5) Please include the trust account number in the wiring/ACH instructions.

(d)(1) Verified deposits received by 9:00 a.m. central time will be credited to the participant's account the same day and earn interest that day.

(2) Deposits verified as received after 9:00 a.m. central time will be credited to the account and earn interest on the next state business day.

Authority. Arkansas Code § 19-3-704.

Codification Notes. "ACH" means automated clearing house.

19 CAR § 12-203. Withdrawals.

(a)(1) Participants must notify the State Treasury Money Management Trust managers of withdrawals no later than the close of business on the day prior to the withdrawal by emailing a completed Withdrawal Form.

(2) The participant may withdraw funds up to the principal balance in its account.

(3) **Note.** Earnings not yet credited are not available for withdrawal.

(4) Funds will be transferred upon verification of the participant's account balance.

(5) Any loss of principal or interest realized as a result of a participant's demand for withdrawal of funds shall be incurred by the participant requesting the withdrawal and deducted on the day the withdrawal is made.

(b)(1) The trust manager will wire funds to the participant's bank account as per instructions on file.

(2) Wire instructions must have been previously established prior to the withdrawal.

(3) Instructions may not be amended verbally.

(4) Withdrawn funds will not earn interest the day of withdrawal.

(5) Each participant is responsible for any required instructions for and/or notification of wire receipts with its local bank/agent.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-204. Transfers.

(a) Between State Treasury Money Management Trust accounts.

(1) If a participant wishes to transfer funds between State Treasury Money Management Trust accounts, the participant should fill out a Transfer Request Form as provided online (example provided in this part) and submit via email.

(2) Both the crediting and debiting trust accounts must be previously established before the transfer takes place.

(b) Between State Treasury Money Management Trust accounts and other state accounts.

(1) If a participant wishes to transfer funds from its trust account to a state fund on the State Treasury books, the participant should notify the trust by completing both the Transfer Request Form online (an example is provided in this part) and a Fund Deposit Form (available in AASIS or from the Service Bureau) and submitting both via email to MMTrust@artreasury.gov.

(2) In order for the deposit to be receipted in the fund on State Treasury books, the State Treasury must have a completed receipt form.

(3) All of the rules as established in the Financial Management Guide apply just as with a normal deposit.

Authority. Arkansas Code § 19-3-704.

Codification Notes. "AASIS" means Arkansas Administrative Statewide Information System.

19 CAR § 12-205. Account closure.

(a) Participants must notify the State Treasury of intent to close an account by completing an Account Closure Form and indicating the same.

(b) The date for the withdrawal of all available principal should be indicated on the form.

(c) Any remaining earnings due the participant will be wired on the regular distribution date the following month, and the monthly statement that follows will be the final statement sent to the participant for that account.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-206. Interest earnings.

(a) The Treasurer of State shall distribute the monthly earnings of the State Treasury Money Management Trust, minus charges and fees, on the second state business day after the twenty-fifth day of the following month.

(b)(1) In order to determine the distribution to each participant, charges and fees, the Treasurer of State shall:

(A)(i) Compute the daily rate of return of the trust for the preceding month.

(ii) The daily rate of return will be calculated as a monthly annualized yield assuming daily amortization/accretion of all fixed income securities held by the trust and any realized profits or losses; and

(B) Calculate the daily earnings of each participant by multiplying the participant's daily balance on deposit in the trust by the net daily rate of return.

(2) The monthly sum of each participant's daily earnings, less any administrative charges, will be credited to each participant's account and reinvested, unless otherwise instructed by the participant, on the distribution day as described above.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-207. Fees and charges.

(a) As per Arkansas Code § 19-3-604(f), the State Treasury may assess charges for:

(1) Expenses incurred in managing the State Treasury Money Management Trust; and

(2) Other administrative fees.

(b) Administration charges.

(1) Wire charges will be passed through to the participant.

(2) There is no charge for a wire or ACH transfer for deposits.

(3) There is a fifteen-dollar charge for a wire or ACH transfer for withdrawals.

(4) There is a fifteen-dollar charge for a wire transfer from a State Treasury Money Management Trust account to a State Treasury fund.

(5) There is no charge for a transfer from a State Treasury Money Management Trust account to another State Treasury Money Management Trust account.

Authority. Arkansas Code § 19-3-704.

Codification Notes. "ACH" means automated clearinghouse.

19 CAR § 12-208. Monthly statements and year-end reports.

(a) The State Treasury Money Management Trust will email a monthly statement to each participant at the email address provided on the Participation Application form or most current update thereto.

(b) That statement will show account transactions and interest earned in the month for which the most recent distribution is made.

(c) The statement will be emailed on or about the fifth of the month following the distribution date.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-209. Miscellaneous information.

(a) Electronic correspondence with the State Treasury Money Management Trust should be directed to MMTrust@artreasury.gov.

(b) Physical correspondence should be directed to:

State Treasury Money Management Trust
Treasurer's Office
1401 West Capitol, Suite 275
Little Rock, AR 72201
501-682-1419

(c)(1) The State Treasury and State Board of Finance reserve the right to modify these policies and procedures as necessary to ensure efficient operation of the trust.

(2) The participant agrees to abide by the terms and conditions established by the State Treasury and State Board of Finance for operations of the trust.

(d) The participant agrees to notify the State Treasury's State Treasury Money Management Trust office immediately in the event of an overpayment to the participant's account.

(e) Repayment is mandatory and should be made on the day the overpayment is discovered, if possible, and in no event later than the next business day.

Authority. Arkansas Code § 19-3-704.

Subpart 3. State Treasury Money Management Trust Investment Policy

19 CAR § 12-301. Authority.

(a) The State Treasury Money Management Trust Act, Arkansas Code § 19-3-601 et seq., directs the State Treasury to:

- (1) Administer the State Treasury Money Management Trust; and
- (2) Establish policies and rules to guide daily operations of the trust.

(b) Those policies and rules are to be reviewed and approved by the State Board of Finance.

(c) The Treasurer of State, pursuant to Arkansas Code § 19-3-604(f), may assess reasonable charges for management and expenses of the trust.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-302. Scope.

This policy applies to funds deposited with the State Treasury Money Management Trust established by the State Treasury Money Management Trust Act, Arkansas Code § 19-3-601 et seq.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-303. Eligible investments.

(a) Eligible investments are:

- (1) Authorized pursuant to Arkansas Code § 19-3-604; and
- (2) Limited to those securities as referenced in Arkansas Code § 19-3-518(b)(1) and § 19-8-111.

(b) Eligible investments as outlined in the statutes may include:

- (1) Direct obligations of the United States Government;
- (2) Obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidences of indebtedness, regardless of guarantee of repayment by the United States Government;
- (3) Obligations the principal and interest of which are fully guaranteed by the United States Government or an agency or an instrumentality created by an act of the United States Congress and authorized thereby to issue such guarantee;
- (4) Obligations the principal and interest of which are fully secured, insured, or covered by commitments or agreements to purchase by the United States Government

or an agency or instrumentality created by an act of the United States Congress and authorized thereby to issue such commitments or agreements;

(5)(A) Commercial paper that is readily marketable and investment grade as indicated by at least two (2) NRSROs.

(B) No investment shall be made in commercial paper that, at the time of purchase, holds the minimum rating and is on negative credit watch by either of the NRSROs used to rate the paper;

(6)(A) Corporate bond issues that are investment grade as indicated by at least two (2) NRSROs.

(B) No investment shall be made in bonds that have maturity beyond ten (10) years.

(C) No investment shall be made in bonds that hold the minimum rating if, at the time of purchase, the issue is on negative credit watch by either of the NRSROs used to rate the issue;

(7) Repurchase agreements as set forth in Arkansas Code § 19-3-518(b)(1)(B)(xii);

(8) Prerefunded municipal bonds whose principal and interest are fully secured by the principal and interest of a direct obligation of the United States Government;

(9) Securities of any open-end type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., and that is defined as a "money market fund" under 17 C.F.R. § 270.2a-7 whose portfolio is principally United States Government obligations and repurchase agreements fully collateralized by United States Government obligations and the collateral is either taken directly by the investment company or investment trust or through an authorized custodian;

(10) Certificates of deposit, demand, or savings deposits with financial institutions provided they are fully insured by a federal deposit insurance agency for one hundred percent (100%) of the principal and accrued interest of the deposit;

(11) Certificates of deposit pursuant to Arkansas Code § 19-8-111 (CDARS);

(12) All or any part of the bonds of local industrial development corporations, authorized and issued under the Arkansas Industrial Development Act, Arkansas Code § 15-4-101 et seq., and all or any part of the bonds of municipalities and counties, authorized and issued under the Municipalities and Counties Industrial Development Revenue Bond Law, Arkansas Code § 14-164-201 et seq.;

(13) Obligations issued by the State Board of Education under the authority of the Arkansas Constitution;

(14) Warrants of a political subdivision or municipality of the State of Arkansas having maturities not exceeding one (1) year;

(15) General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories, or insular possessions of the states of the United States that are investment grade;

(16) Obligations in which the principal and interest are fully guaranteed, secured, insured, or covered by a commitment or agreement to purchase the obligation by the United States Government or an agency or an instrumentality created by an act of the United States Congress and authorized by the United States to issue the guarantee, commitment, or agreement (if notes hold the rating of SP-1, or the equivalent, or above, or if bonds hold the rating of AA, or the equivalent, or above); and

(17) Investment pools or funds comprised exclusively of assets or securities that the Treasurer of State is permitted to purchase directly.

Authority. Arkansas Code § 19-3-704.

Codification Notes. "CDARS" means certificate of deposit account registry service.

"NRSRO" means national recognized statistically rated organization.

19 CAR § 12-304. Investment restrictions.

(a) To provide for the safety and liquidity of the State Treasury Money Management Trust, the investment portfolio will be subject to the following restrictions:

- (1) The average maturity of the total portfolio will not exceed sixty (60) days;
- (2) The stated maturity of any security will not exceed three hundred ninety-seven (397) days, with the exception of the following:

(A) Securities used as collateral in repurchase agreements; and

(B)(i) United States agency mortgage-backed securities, collateralized mortgage obligations, and municipal bonds that return principal in scheduled payments prior to final maturity shall not have, at the time of purchase, an average life exceeding three hundred ninety-seven (397) days using average life assumptions while employing Prepayment Speed Assumption and/or Conditional Prepayment Rate analysis models.

(ii) Securities for which average life at the time of purchase is used shall not have a stated final maturity beyond two (2) years;

(3) No investment in corporate debt shall be made in any single issuer that, at the time of purchase, exceeds five percent (5%) of the total assets of the trust, including both commercial paper and bonded debt of that issuer; and

(4) The maturity of repurchase agreements will be calculated by the date of repurchase, not the maturity of the underlying instrument.

(b) Investments in nongovernment securities will not exceed the following percentages of the total portfolio:

Total Debt of Corporations, including Bonds and Commercial Paper* 30%

*Second-tier Commercial Paper — including but not limited to Commercial Paper rated A2 by Standard and Poor's Ratings Services, and P2 by Moody's Investors Service — may not exceed 5% of the Total Portfolio.

(c) Repurchase agreements will be subject to the following additional restrictions:

- (1) Transactions will be documented with master repurchase agreements;
- (2) Securities accepted as collateral will be readily marketable;

(3) Repurchase agreements with any primary dealer or financial institution will not exceed ten percent (10%) of the total portfolio; and

(4) Repurchase agreements will not exceed one hundred eighty (180) days, and the share of the portfolio allocated to repurchase agreements with maturities beyond thirty (30) days will not exceed thirty percent (30%) of the total portfolio.

(d)(1) Pursuant to Arkansas Code § 25-1-501 et seq., effective August 1, 2017, a public entity shall not invest in companies that boycott Israel.

(2) In a good-faith effort to comply with this law, the State Treasury may rely on the list of entities that boycott Israel.

(3) That list is published by the New York Office of General Services and may be located online at the following web address:

https://www.ogs.state.ny.us/eo/157/Docs/EO157_Institutions_Companies_List.pdf.

(e) All purchases and sales of securities shall be made with the goals of:

(1) Obtaining the optimal price and value for securities; and

(2) Not showing preference for any securities broker.

(f)(1) Pre-trade analysis shall be performed for all bond purchases and sales.

(2) Where appropriate, that analysis should include market conditions, how the security fits the State Treasury's investment strategy, and any other securities reviewed at the time of execution.

(g) For asset classes where quotation bids are applicable and appropriate, purchases and sales of securities by the Treasurer of State shall be made upon receipt of not less than three (3) quotation bids from securities brokers.

(h) For asset classes where quotation bids are inapplicable or inappropriate, the Treasurer of State shall retain documentation sufficient to indicate that broker selection was competitive and met the spirit of Arkansas Code § 19-3-518(b)(3)(B).

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-305. Collateral.

(a) Securities delivered as collateral for a repurchase agreement with a maturity date longer than seven (7) days will be priced at least weekly at one hundred five percent (105%) of market value, plus accrued interest.

(b) Physical loans that qualify as eligible investments delivered as collateral for a repurchase agreement with a maturity date longer than seven (7) days will be priced at least weekly at one hundred eight percent (108%) of market value, plus accrued interest.

(c) For purposes of securities loaned pursuant to Arkansas Code § 19-3-606, collateral will be determined on a daily basis.

Authority. Arkansas Code § 19-3-704.

19 CAR § 12-306. Professional services.

(a) The State Treasury may contract for professional services as necessary for the efficient management of investments.

(b) Services may include, but are not limited to:

- (1) Master custodian; and
- (2) Money manager.

(c) **Master custodian.**

(1) The Treasurer of State may select one (1) or more firms to provide the state with master custodial services pursuant to a custodial services agreement.

(2) Master custodial services will include, but not be limited to:

(A) Executing transactions involving all securities held in custody,

including:

- (i) Online security clearing;
- (ii) Settlement of securities on a delivery-versus-payment basis; and
- (iii) Settlement of physically held securities;

(B) Accounting for all transactions in accordance with generally accepted accounting principles and requirements of the state;

(C) Providing regular reports on the activity and value of the securities in custody; and

(D) Providing for the safekeeping of all documents and financial instruments physically held in custody.

(d) Money manager.

(1) The Treasurer of State may select one (1) or more firms to provide money management services.

(2) These services may include, but not be limited to:

(A) Recommending changes to the investment policy;

(B) Providing advice on investment purchases and sales based on current market indicators and economic conditions;

(C) Providing monthly accounting, performance, compliance, and management reports; and

(D) Managing funds separately from other governmental funds and providing third-party safekeeping in the State Treasury's name.

(e) The services of a master custodian and money manager will be obtained through a competitive evaluation of proposals submitted to the Treasurer of State's office.

Authority. Arkansas Code § 19-3-704.

Appendix A. Account Closure Form

Link:

<https://CodeOfARRules.arkansas.gov/docs/CARCodeAppendices/Appendices/75/19CARpt.12AccountClosureForm.pdf>

Appendix B. Deposit Request Form

Link:

<https://CodeOfARRules.arkansas.gov/docs/CARCodeAppendices/Appendices/76/19CARpt.12DepositRequestForm.pdf>

Appendix C. Participation Application

Link:

<https://CodeOfARRules.arkansas.gov/docs/CARCodeAppendices/Appendices/77/19CARpt.12ParticipationApplication.pdf>

Appendix D. Transfer Request Form

Link:

<https://CodeOfARRules.arkansas.gov/docs/CARCodeAppendices/Appendices/78/19CARpt.12TransferRequestForm.pdf>

Appendix E. Withdrawal Request Form

Link:

<https://CodeOfARRules.arkansas.gov/docs/CARCodeAppendices/Appendices/79/19CARpt.12WithdrawalRequestForm.pdf>