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**CORPORATE INVESTMENTS**

Effective Date: May 30, 1997 (revised November 27, 2020)

Approved By: MVRD Board

**Policy No. FN-020**

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**PURPOSE**

To provide guidelines within which investment decisions are made to ensure safety of capital, adequate liquidity and a reasonable rate of return.

**APPLICATION**

This Policy applies to all investments on behalf of the corporate entities.

**POLICY****A. General Objectives****i) Safety of Capital**

This is the foremost objective of this Policy. Prudent investments shall be chosen in a manner that ensures preservation of capital. Consideration therefore must be given to both credit and interest rate risk in all investment decisions.

**ii) Liquidity**

Investment portfolios will provide sufficient liquidity to meet the ongoing needs of all Metro Vancouver Districts and the Housing Corporation. Investment terms will be structured as much as possible to meet anticipated cash needs.

**iii) Yield**

Portfolios will be invested to produce the highest yield after first considering objectives i) and ii) above and within the investment guidelines in **Appendix A**.

**iv) Sustainable Investing**

Metro Vancouver applies exclusionary screening in its portfolios to avoid direct investments in fossil fuel. Metro Vancouver will gradually implement additional sustainable investing criteria in its investments through further inclusion of environmental, social and governance (ESG) and socially responsible investment (SRI) principles.

**B. Standard of Care**

The standard of care to be applied by staff in carrying out their duties is that of a prudent person, in the context of the management of a diversified portfolio. This in turn translates as the exercise of discretion and judgment, in conformity with policies, with the purpose being investment, rather than speculation.

## BOARD POLICY

The *Employee Code of Ethics Policy* requires performance to a high standard of integrity, and specifically forbids conflict of interest situations.

### C. Investment Parameters

Investments will at all times be governed by legislation, specifically the *Community Charter* Section 183 (copy attached as **Appendix C**).

**Short Term Investments** (maximum term 365 days) are restricted to those with a minimum short term credit rating of Standard and Poor's (S&P) equivalent of A-1 or Dominion Bond Rating Service (DBRS) equivalent of R1Low.

Short term investments will be permitted in non-qualifying institutions when such investments are guaranteed by a qualified institution. An example of this would be an investment in a Credit Union in BC which is in turn guaranteed by the Province of BC.

**Long Term Investments** must have at a minimum a long term credit rating of 'A-' by S&P or DBRS equivalent (A-low).

Both our short term and long term investments are limited to primarily Government debt (provincial and federal) and Canadian financial institutions. The specific details of the qualified investments as well as the maximum portfolio percentages are listed in **Appendix A**.

In instances where an investment falls below one, but not both of the recommended rating agencies (S&P and DBRS), the investment will remain to qualify as an approved investment.

### D. Investment Terms

**Short Term Investments** will have a maximum term of 365 days and are restricted to terms listed on **Appendix A** attached.

**Long Term Investments** are those with term exceeding 365 days. Long term investments will also be restricted to terms listed on **Appendix A** attached.

### E. Tendering

**Short Term Investments** (under 365 days)

Investments of terms greater than 15 days require at least three quotes from qualifying dealers. (See comments below concerning Long Term Investments as a potential exception to this rule)

**Long Term Investments** (over 365 days)

Long term investments do not necessarily lend themselves to direct comparison. Often there is difficulty in finding the same name or similar credit quality in exactly the same term. This requires that those responsible for long term investing use considerable judgement in determining the investment choice.

Where direct comparisons are possible between like or similar investments at least three quotes from qualifying dealers will be required.

Where direct product comparisons are not available, those responsible for investing must ensure that the offering under consideration is priced fairly. This can be done by verifying spread levels (over benchmark or equivalent term Canada bonds) obtained from two other dealers which support the offering being considered. These spreads should be recorded for subsequent review by internal audit.

### F. Safekeeping

Investments will be held for safekeeping at either RBC Investor Services (Dexia), Royal Bank Dominion Securities, Bank of Montreal or Clearing and Depository Services Inc. (CDS) for securities whose transfer is book-based rather than by physical delivery. Transfers that are neither book-based nor physical delivery such as cash, term deposits and guaranteed investment certificates are held for safekeeping at the respective credit union or issuing bank or held in nominee (in trust) with the Authorized Investment Dealer.

### G. Authorized Investment Dealers

Authorized Investment Dealers must meet one of the following criteria:

- Wholly owned subsidiary of a Canadian chartered bank that is included in the Approved Investments list in **Appendix A**;
- Member of the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund (CIPF), and hold assets under management greater than \$10 billion;
- Institution whose deposits or debts are guaranteed by the Credit Union Deposit Insurance Corporation (CUDIC) or a Province of Canada.

Any changes to the Authorized Investment Dealer must be approved by the Investment Management Committee as defined in section H Review, Oversight and Reporting. The Investment Management Committee will also review the list of Authorized Investment Dealers on as needed basis.

### H. Review, Oversight and Reporting

The statutory authority of the CFO for investment decisions is delegated to the Director, Financial Planning and Operations; Division Manager, Financial Planning and Processes and the Treasury Manager including any appointed in an acting capacity.

## BOARD POLICY

While day to day investment operations are the responsibility of the Treasury Manager, the Division Manager, Financial Planning and Processes is responsible for its supervision, including review of internal control issues and policy enforcement.

Summary reports on investment positions and performance will be prepared monthly for the CFO and the Director, Financial Planning and Operations.

The CFO; Director, Financial Planning and Operations; Division Manager, Financial Planning and Processes and the Treasury Manager will meet quarterly (or more frequently as required) as the Investment Management Committee (“Committee”) to review the investment activities as well as current investments issues. The Committee will establish the percentage split of the portfolio between long and short term investments as well as the average term of the portfolio based on existing market conditions and expected future conditions.

An Approved List of Investments (“Approved List”), based on the Investment Parameters in section C, will be developed and maintained by the Division Manager, Financial Planning and Processes, subject to the approval of the Committee.

While changes to the Approved List outlined in **Appendix A** are subject to the Committee's specific approval, any member of the Investment Management Committee may immediately suspend a previously approved investment at any time on their own authority and, in fact, must do so when he has reason to believe it no longer meets the necessary requirements. *The member will immediately advise the other Investment Management Committee members of the decision for suspension along with the reason and repercussions.*

Quarterly, the investment ratings of all entities included in the Approved List will be reviewed by the Division Manager, Financial Planning and Processes.

Upon knowledge of a decrease in the credit rating of an approved investment to a level below the parameters outlined in this Policy, the Division Manager, Financial Planning and Processes will immediately advise the Investment Management Committee. As this rating is below the minimum acceptable credit rating, the investment position should be sold with all considerations given to losses and/or penalties.

A report will be presented to the Board as of April 30, August 31, and December 31 each year and will include a position statement, performance results compared to benchmark comments and other relevant issues.

Metro Vancouver purchases investments with the intention of holding these until maturity and not with further trading in mind. For this reason we will not adjust the portfolio value based on changes in unrealized market value, but rather report investment performance based on actual return to maturity.

## BOARD POLICY

Our short term investment performance will be compared to the Benchmarks detailed on **Appendix B**. Finding a benchmark for our long term investments is difficult as most available benchmarks will reflect changes in market valuation. With this in mind, we will provide the benchmarks included on **Appendix B** as a reasonable general comparison to our long term investment performance.

In addition to the audit activities and procedures performed annually by the external auditors and the oversight of the Director, Financial Planning and Operations, the Internal Auditor will review internal controls and ensure compliance with policy and procedures bi-annually.

All changes to this Policy require Board approval.

### **Appendices:**

Appendix A: Approved Investments (Updated October 2016)

Appendix B: Investment Performance Benchmarks

Appendix C: *Community Charter* (Section 183)

# BOARD POLICY

## APPENDIX A

### Approved Investments (October 2016)

	Rating		Proposed	
	Short Term	Long Term	Max %	Max Term
<b><u>Governments:</u></b>				
Canada	A-1+	AAA	Unlimited	30 years (5% max > 10 years)
Provinces rated AA- or better by S&P (or equivalent)*				
British Columbia	A-1+	AAA	50%	
Alberta	A-1+	AA	50%	
Saskatchewan	A-1+	AA+	50%	
Manitoba	A-1+	AA-	50%	
<i>Total Provinces rated AA- or better Limit</i>			Unlimited	30 years (5% max > 10 years)
Provinces rated A- or better by S&P (or equivalent)*				
New Brunswick	A-1+	A+	30%	
Ontario	A-1+	A+	30%	
Quebec	A-1+	A+	30%	
Nova Scotia	A-1+	A+	30%	
Newfoundland	A-1	A	30%	
Prince Edward Island	A-1	A	30%	
<i>Total Provinces rated A- or better Limit</i>			50%	30 years (5% max > 10 years)
Municipal Finance Authority of BC	A-1+	AAA	15%	30 years (5% max > 10 years)
Total Governments				
<b><u>Financial Institutions</u></b>				
Schedule 1 Banks				
Bank of Montreal	A-1	A+	20%	10 years
Bank of Nova Scotia	A-1	A+	20%	10 years
CIBC	A-1	A+	20%	10 years
Royal Bank of Canada	A-1+	AA-	20%	10 years
TD Bank	A-1+	AA-	20%	10 years
National Bank of Canada	A-1	A	15%	10 years
Manulife Bank	A-1	A+	15%	3 years
Canadian Western Bank	R1L (DBRS)	AL (DBRS)	15%	3 years
Schedule 2 Banks				
HSBC Bank Canada	A-1+	AA-	15%	10 years
<b><u>BC Credit Unions</u></b>				
Vancity	BC Provincial Guaranty**		20%	
Coast Capital Savings	BC Provincial Guaranty**		20%	
Westminster Credit Union	BC Provincial Guaranty**		20%	
Blue Shore Credit Union	BC Provincial Guaranty**		20%	
First West Credit Union	BC Provincial Guaranty**		20%	
Prospera Credit Union	BC Provincial Guaranty**		20%	
<i>Total BC Credit Unions Limit</i>			50%	5 years (max 30% > 1 year)
Other				
Caisse Central Desjardins	A-1	A+	5%	3 years

\*Includes provincially guaranteed institutions

\*\* Implied BC Provincial guaranty

## APPENDIX B

### Investment Performance Benchmarks

The benchmarks listed below are used as a guideline to assess the performance / investment returns on investments held.

#### **Short Term Investments**

- Municipal Finance Authority Money Market Fund\*
- Average One Month Banker's Acceptance Rate\*\*
- Average Three Month Banker's Acceptance Rate\*\*

#### **Long Term Investments**

- Municipal Finance Authority Intermediate Bond Fund
- Municipal Finance Authority Long-term Bond Fund

\*Available on the MFA website

\*\*Calculated from the Bank of Canada website

**APPENDIX C**

**Community Charter Section 183**

**Investment of Municipal Funds**

- 183 Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:
- (a) securities of the Municipal Finance Authority;
  - (b) pooled investment funds under section 16 of the *Municipal Finance Authority Act*;
  - (c) securities of Canada or of a province;
  - (d) securities guaranteed for principal and interest by Canada or by a province;
  - (e) securities of a municipality, regional district or greater board;
  - (f) investments guaranteed by a chartered bank;
  - (g) deposits in a savings institution, or non-equity or membership shares of a credit union;
  - (h) other investments specifically authorized under this or another Act.