

Cash Management Investment Policy Statement Creation Guide

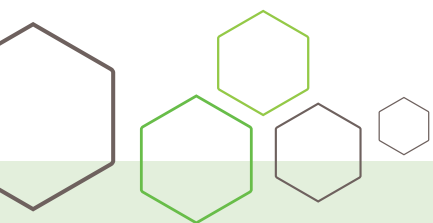
A Cash Management Investment Policy Statement (IPS) defines an organization's cash portfolio goals and risk tolerance to guide its short-term cash investment strategies and allocation decisions. The policy provides financial transparency and allows organizations to make more informed cash investment and allocation decisions.

An effective policy statement enables organizations to take advantage of new opportunities due to changes in their corporate cash position, the economy, markets, or their industry while managing liquidity and mitigating risk.

This sample guide includes the most common elements and considerations to be familiar with when developing your policy.

How to Use This Guide

Information in green boxes contain reminders about each section. Gray boxes throughout the document provide examples of what to include in your company's Cash IPS. Use the blank spaces provided within this template to take notes or draft sections to be used in your company's official investment policy statement.



[Name of Company] Cash Management Investment Policy Statement

Policy Title
Company
Date Approved
Version

Cash Management IPS Table of Contents

- Purpose
- Objective
- Permissible Vehicles and Products
- Investment Requirements and Restrictions
- Roles and Responsibilities
- Performance Measurement and Reporting

Purpose

The purpose of this Cash Management Investment Policy Statement (IPS) is to set guidelines for the [Name of Company]'s cash investment strategies, define the objectives and expectations, and identify the parties responsible for managing the cash portfolio and policy.

This policy only applies to [Name of Company]'s Operating, Reserve, and Strategic cash funds. Investment guidance for long-term, pension, foundation, and other funds is not covered under this policy.

Notes:

Objective

Objectives within a short-term investment strategy are defined by cash segment. The company's cash portfolio will be managed to meet these goals and properly diversified to minimize risk while maximizing yield within these guidelines.

Cash Segment Definitions

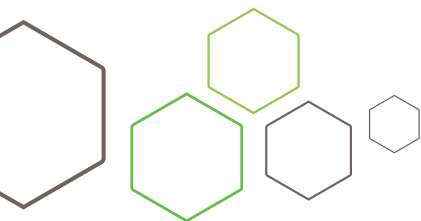
Operating Cash	Reserve Cash	Strategic Cash
Time: <3 Months	Time: 3-12 Months	Time: > 12 Months
Uses: Daily Operations and Reserve for Emergencies	Uses: Cash for Periodic Needs – Taxes, Dividends, R&D, etc. – and other intermediate term planned or unplanned expenditures.	Uses: Reserves that might or might not have future targeted uses.

As you develop your company's policy objectives, consider: What do each of these segments mean for your company? How will you define them? Use the blank spaces to determine how your company will manage its different cash segments. Then, fill in your policy objectives for each segment.

Examples of Policy Objectives by Cash Segment

Operating Cash	Reserve Cash	Strategic Cash
Preserve capital	Generate incremental returns to meet periodic liquidity needs	Generate the highest returns while aligning with the company's risk tolerance
Maintain liquidity to sufficiently meet cash flow needs	Maintain liquidity to sufficiently cover unplanned expenditures	Preserve capital
Other:	Other:	Meet or exceed investment benchmark return
Other:	Other:	Other:

Notes:



Permissible Vehicles & Products

The instruments or products in the list below are approved by the company for short-term investments within each cash segment under this policy. This list of permissible investments must be reviewed on an annual basis to ensure it reflects the current market and company position.

Examples of Permissible Vehicles for the Operating Cash Segment

- Bank Deposit Products (DDA, Savings, MMDA)
- Sweep Products (Investment Sweep, Repo Sweep)
- Money Market Mutual Funds
-
-

Examples of Permissible Vehicles for the Reserve Cash Segment

- Money Market Demand Account (MMDA)
- Extended FDIC Insurance Program (MMA/DDA Option)
- Extended FDIC Insurance Program (CD Option)
- Sweep Products (Credit Sweep, Investment Sweep, Repo Sweep)
- Money Market Mutual Funds
- Commercial Paper
- CDs > \$250k
-

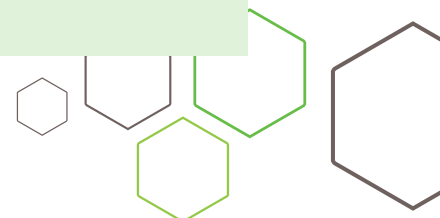
Examples of Permissible Vehicles for the Strategic Cash Segment

- Micro-/Ultra-/Short-Term Bond Funds
- Government/Agency Bonds
- Corporate Bonds
- Managed Money Solutions
-

Each of the investments within the different cash segments defined in the previous section must also meet diversification targets as well as maturity, duration, and credit quality limits.

Companies generally choose between a paragraph or chart for outlining permissible vehicles and investment guidelines for each cash segment. This section of the Cash IPS typically includes details about maturity, duration, issuer/counterparty, and credit rating or quality limits. Examples of each option are provided below.

Not every limit or section below will apply to your business. Read through each area and note whether you will include these restrictions in your own investment policy statement. Then, choose one of the two most used formats provided below to describe your permissible investments.



Notes:

Choose one of the following formats to represent your company's permissible investments:

Paragraph

Money Market Mutual Funds

Must have AAA overall credit rating. The fund must provide 100% same day liquidity and seek to maintain constant net asset value of one dollar per share. Fund size must be greater than \$1 billion and must comply with 2A-7 standards.

Portfolio Limit: No limitation.

Issuer Limit: Limited to 10% of fund assets at the time of purchase.

Maturity Limit: Must comply with 2A-7 standards.

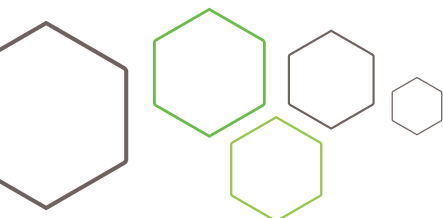
Notes:

Chart

Vehicle	Maturity	Duration	Issuer/ Counterparty Limit	Credit Rating	Diversification Targets/Limits
Money Market Mutual Funds	N/A	N/A	No greater than \$25MM exposure per Fund Company	AAA/Aaa Rated	No greater than 25% of overall Operating/ Reserve Cash
Commercial Paper (CP)	Max 150 Days	N/A	No greater than \$5MM per Issuer	A1/P1 or A2/P2 only	No greater than 10% of overall Reserve Cash

Characteristics of permissible investments represent only examples, not recommended characteristics.

Notes:



Investment Requirements and Restrictions

Maturity limits. The maximum maturity of individual securities.

Duration limits. The average duration of the company's short-term investment portfolios, typically represented in months or years.

Issuer/Counterparty limits. The maximum amount of an investment or product that can be issued by any one corporation, trust, institution, or government.

Credit ratings and limits. The minimum allowable credit quality of the specific vehicle or cash segment. Consider also whether in a situation where a security has a split rating, the company will use the lowest, middle, or highest rating to make a determination.

Diversification targets. To protect the company's portfolio, include diversification requirements and target asset allocations.

Companies define allocation amounts by cash segments or by total portfolio. Determine whether you will set allocation limits within each segment or for the company's overall cash portfolio.

Examples of asset allocation:

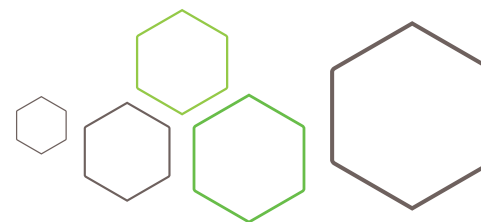
- Money market funds cannot exceed 25% of overall cash investment portfolio.
- Fixed income securities issued by corporations cannot exceed 50% of Strategic Cash portfolio.

ESG and DEI Considerations. Include any restrictions on investments based on the issuer's environmental, social, or governance impact, or diversity, equity, and inclusion practices.

Governance / Roles & Responsibilities

The following roles within the organization will be responsible for reviewing, updating, and implementing this policy and the short-term investment strategy as designated below.

These responsible parties will review this policy and update as needed on an annual basis **[or specify another frequency]**. Any change to the organization's financial position, investment objectives, or economic concerns will require an immediate review of the investment policy.

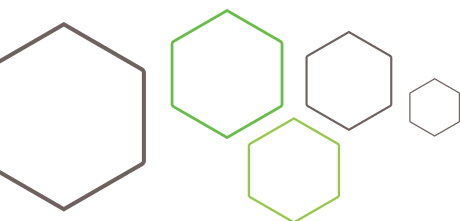


Pick one or more responsibilities below for each role, then add the number in the blank box next to the title.

- Board of Directors
- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Director of Finance
- Director of Treasury
- Financial Risk Manager
- Treasurer
- Assistant Treasurer
- Treasury Manager
- Treasury Analyst
- Treasury Accountant

Below are the responsibilities of the above parties involved in the company's short-term investments **[select all that apply for each role]**.

- 1) Approve the initial investment policy and subsequent revisions.
- 2) Approve major policy exceptions.
- 3) Approve minor policy exceptions.
- 4) Implement the investment policy.
- 5) Develop investment strategy in alignment with this policy statement.
- 6) Direct purchases and sales of securities.
- 7) Set performance metrics.
- 8) Collect and distribute performance information.
- 9) Distribute the investment policy and its revisions.



Notes:

Your company's investment statement policy likely requires multiple approvals sections for each approver indicated in the section above.

Performance Measurement and Reporting

Cash portfolio standard earnings performance will be measured against applicable benchmarks, including (refer to the list below to determine applicable industry or duration-matching benchmarks for your company.)

The treasurer [or other responsible party] will provide [daily/weekly/monthly] reports on the company's cash portfolio performance, asset allocation, and adherence to any other guidelines outlined in this policy. These reports will be delivered to the to the Board of Directors, CFO, and CEO.

Examples of Benchmarks

Key Market Rates

- 3-month U.S. Treasury Bill
- Fed Funds Target Rate
- SOFR
- Overnight Repo
-
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Market Indices*

- Money Market Fund Indices
- U.S. Treasury Bill Rates
- 9-12 month U.S. Treasury Bill Index
- 1-3 year Treasury Index
- 1-3 year Government Index
- 1-3 year Government/Credit Index
- 1-5 year Treasury Index
- 1-5 year Government Index
- 1-5 year Government/Credit Index
-
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*Examples of acceptable providers include JP Morgan, Goldman, iMoneyNet,



Approvals

Your company's investment policy statement likely requires multiple approval sections for each approver indicated in the section above.

Signature: _____

Name: _____

Date: _____

THIS DOCUMENT IS TO BE USED SOLELY AS GUIDANCE AND REVIEWED WITH THE INSTITUTION'S LEGAL COUNSEL

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This document is intended to serve as a guide for the creation of a cash management investment policy statement ("IPS"). It includes a set of most common elements and considerations to be familiar with when discussing the creation or the modification of an IPS in accordance with the particular needs and circumstances of the institution. It is furnished by The Huntington National Bank ("HNB") solely for educational purposes and is not intended to constitute legal or tax advice. Please consult with a qualified professional for this type of advice.

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