



P.O. Box 1749
Halifax, Nova Scotia
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Item No.
Halifax Regional Council
November 22, 2022

TO: Mayor Savage Members of Halifax Regional Council

SUBMITTED BY: **- Original Signed -**

Councillor Paul Russell, Chair, Audit and Finance Standing Committee

DATE: October 31, 2022

SUBJECT: **Annual Investment Policy Review**

ORIGIN

October 19, 2022 meeting of the Audit and Finance Standing Committee, Item 12.2.3.

LEGISLATIVE AUTHORITY

Legislative Authority is outlined in the attached staff report dated October 11, 2022.

Administrative Order One, *Respecting the Procedures of the Council*, Audit and Finance Standing Committee Terms of Reference section 1:

1. (1) The purpose of the Audit and Finance Standing Committee is to provide advice to the Council on matters relating to audit and finance.
- (2) The other purposes of the Committee are to:
 - (a) fulfill the requirements as outlined in Section 48 of the HRM Charter; and
 - (b) assist the Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.

RECOMMENDATION

The Audit and Finance Standing Committee recommends that Halifax Regional Council adopt the amendments to the Investment Policy as set out in Appendix B of the staff recommendation report dated October 11, 2022.

BACKGROUND

The Audit and Finance Standing Committee received a staff recommendation report dated October 11, 2022 to consider amendments to the *Investment Policy* as part of the annual review.

For further information refer to the attached staff report dated October 11, 2022.

DISCUSSION

The Audit and Finance Standing Committee considered the staff report dated October 11, 2022 and approved the recommendation to Halifax Regional Council as outlined in this report.

FINANCIAL IMPLICATIONS

Financial implications are outlined in the attached staff report dated October 11, 2022.

RISK CONSIDERATION

Risk consideration is outlined in the attached staff report dated October 11, 2022.

COMMUNITY ENGAGEMENT

Meetings of the Audit and Finance Standing Committee are open to public attendance and members of the public are invited to address the Standing Committee for up to five (5) minutes during the Public Participation portion of the meeting. Meetings are live webcast on Halifax.ca. The agenda, reports, video, and minutes of the Standing Committee are posted on Halifax.ca.

For further information on Community Engagement refer to the attached staff report dated October 11, 2022.

ENVIRONMENTAL IMPLICATIONS

Environmental implications are outlined in the staff report dated October 11, 2022.

ALTERNATIVES

The Audit and Finance Standing Committee did not provide alternatives.

Alternatives are outlined in the attached staff report dated October 11, 2022.

ATTACHMENTS

Attachment 1 – Staff recommendation report dated October 11, 2022.

Report Prepared by: Annie Sherry, Legislative Assistant, Municipal Clerk's Office 902.943.8741



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Attachment 1

Item No. 12.2.3 Audit & Finance Standing Committee October 19, 2022

TO: Chair and Members of Audit & Finance Standing Committee

SUBMITTED BY: - Original Signed -
Jacques Dubé, Chief Administrative Officer

DATE: October 11, 2022

SUBJECT: Annual Investment Policy Review

ORIGIN

The Halifax Regional Municipality Investment Policy (the Policy) requires that the Investment Policy Advisory Committee (the Committee) review the Policy annually.

LEGISLATIVE AUTHORITY

Subsection 121(1) of the *Halifax Regional Municipality Charter* requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Municipal Affairs (the Minister) or invested pursuant to the *Trustee Act*. Where HRM has chosen to adopt an Investment Policy, and the Minister has approved the Policy, investment activities are governed by this Policy.

- 121 (1) Funds in a sinking fund, capital reserve fund, utility depreciation fund or other fund of the Municipality must be
- (a) deposited in an interest bearing account at a bank doing business in the Province;
 - (b) invested pursuant to an investment policy adopted by the Council and approved by the Minister; or
 - (c) invested in investments in which a trustee is permitted to invest pursuant to the *Trustee Act*.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend that Halifax Regional Council adopt the amendments to the *Investment Policy* as set out in Appendix B of this report.

BACKGROUND

The Policy was adopted by Council April 23, 2002 and was approved by the Minister of Service Nova Scotia and Municipal Affairs (the Minister) on May 14, 2002. Amendments to the Policy, as recommended by the Committee, were approved by Council and the Minister in 2005, 2007, 2008, 2010, 2017 and 2019. Reviews of the Policy by the Committee in late 2012, 2014 2015, 2020 and 2021 did not result in any recommended changes.

DISCUSSION

In keeping with the annual review requirements of the Policy, the Committee discussed various items, including the growing desire of incorporating ESG (environmental, social & governance) principles into the municipality’s investment portfolio, which directly relates to Action 40 of HalifACT 2050.

Discussions regarding ESG resulted in the following recommendations that affect the reporting structure to the Committee, but do not result in any Policy amendments:

1. Incorporate ESG ratings into the monitoring and review of the financial institution component of the municipal portfolio.
2. ESG ratings will be reported to and reviewed by the Committee annually (or upon any major increase or decrease in ESG scores). If necessary, re-allocation of portfolio funds will be discussed by the Committee at that time.
3. S&P Global was selected as the rating agency to determine ESG scores of relevant counterparties.

The following table outlines proposed changes that will result in amendments to the Policy, rationale for the changes and the Committee’s decision at the September 12, 2022 meeting. Appendix A shows the changes to the existing Investment Policy. If the amendments are approved by Council, they will need to go to the Minister to be approved.

Proposed Policy Updates:

Proposed	Rationale	Decision
<p>The following counterparties are to be removed from the approved list:</p> <ol style="list-style-type: none"> i. CDP Financial Inc ii. Desjardins Group iii. Caisse Centrale Desjardins iv. OMERS Realty Corporation 	<p>The municipality does not hold any investments at the four listed counterparties, nor are there any plans to allocate any portion of the portfolio to these counterparties in the future. Additionally, these counterparties do not have an ESG ratings available through an established rating agency.</p>	<p>Approved as proposed</p>
<p>Update formatting in Schedule A of the Policy with the following:</p> <ol style="list-style-type: none"> a. The addition of a percentage sign (%) under the ‘Maximum Allowable % of Portfolio Per Category’ column for ‘Cash & Equivalents’. b. Addition of the adjective “Credit” in the header for ‘Minimum Rating Required’. 	<p>The addition of the percentage sign brings consistency in the formatting of the percentages listed in the table.</p> <p>The addition of the word “credit” clarifies what type of rating is being referred to in the header of the table.</p>	<p>Approved as proposed</p>

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

RISK CONSIDERATION

There are no significant risks associated with the recommendations in this report.

COMMUNITY ENGAGEMENT

The majority of members of this Committee (3 of 5) are volunteers from the general public. The Committee reports to the Audit and Finance Committee of Council quarterly on staff's compliance with the Investment Policy. In addition, the Committee conducts an annual review of the Investment Policy and makes recommendations for any changes considered appropriate.

ENVIRONMENTAL IMPLICATIONS

No environmental implications identified.

ALTERNATIVES

The Audit & Finance Standing Committee could choose not to approve the recommendation.

ATTACHMENTS

Appendix A - Halifax Regional Municipality Investment Policy showing proposed changes
Appendix B – Amending Policy

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

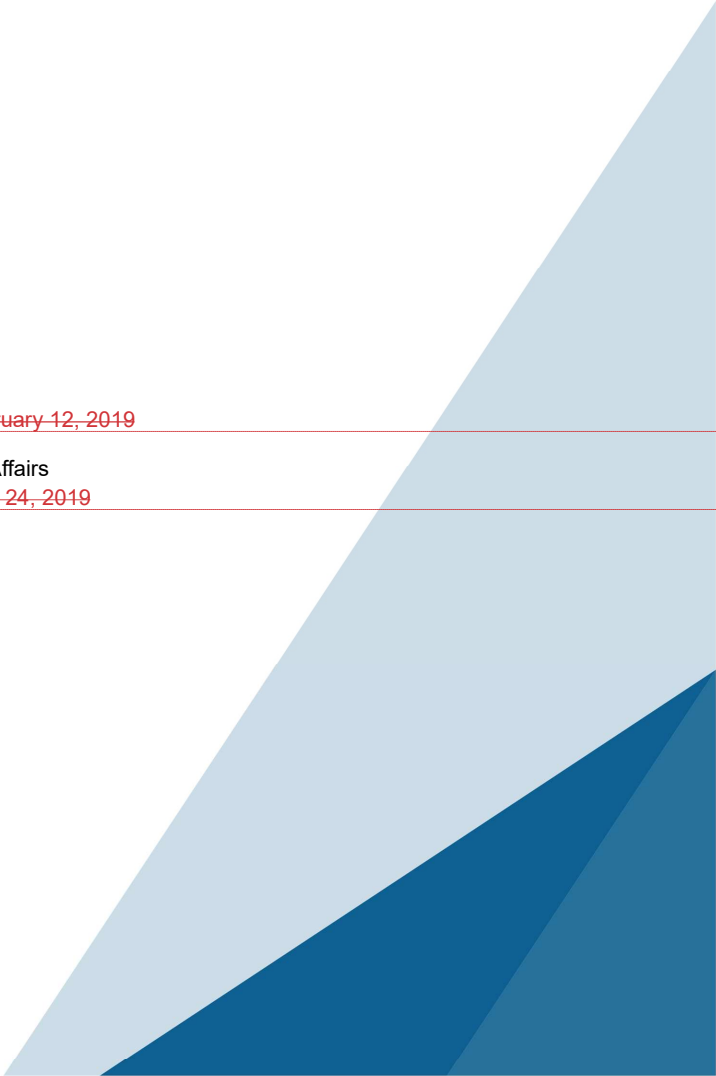
Report Prepared by: Aaron Khan, CPA, Deputy Treasurer, Finance & Asset Management, 902-943-0847

Investment Policy

Approved by:

Regional Council
~~MMMM DD, 202X~~ February 12, 2019

Minister of Municipal Affairs
~~MMMM DD, 202X~~ April 24, 2019



HALIFAX

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A. Terms of Reference

The Investment Policy Advisory Committee was created by Halifax Regional Municipality Council which is responsible for appointment of its members. Membership includes one member of Regional Council and one staff member who serve as Co-Chairs as well as volunteer members of the public. The volunteer members shall have a combination of finance and investment knowledge and relevant professional, business or educational experience.

The mandate of the Policy Committee includes establishing credit quality restrictions, recommending an appropriate set of guidelines, practices and procedures to guide the investment operations of the Halifax Regional Municipality (HRM), and monitoring same on an ongoing basis through periodic reports to Regional Council or any other body as directed by Regional Council.

B. Introduction

The Investment Policy of the Halifax Regional Municipality shall govern the investment of trust funds, reserve funds and surplus cash balances. Investments of the Halifax Regional Municipality Pension Plan are governed under a separate investment policy and are not addressed in this document. This Policy does not apply to loans permitted under the Municipal Government Act. Exceptions to this Policy shall be permitted from time to time upon approval by Regional Council and the Minister of Municipal Affairs.

The Investment Policy seeks to preserve and grow Halifax Regional Municipality revenues to fund both Operating and Capital Expenditures while adhering to strict legal requirements. Fundamental objectives of the Policy are built upon both preservation of capital and cash flow liquidity commensurate with HRM's expenditure requirements. For greater clarity, the vast majority of HRM investments shall be short term in nature as they exist only to provide a funding source for Operating and Capital Expenditures.

For the purpose of this policy, trust funds are funds which result from trust agreements through which the Municipality is accountable to third parties for the use and disposition of trust assets. In general these trusts are perpetual in nature with the majority of the income derived from the trust assets being used for the purpose of the trust and the principal being preserved.

Reserve funds are special purpose funds established through Provincial regulation or by motion of the Halifax Regional Municipality Council. Cash requirements are dependent on the purpose of the particular reserve fund. These requirements may be such that only a partial amount of a reserve may be expended in a given year which could allow for an investment time horizon spanning several years.

Surplus cash balances refer to the operating fund and capital fund. The operating fund pertains to the general operations of the Halifax Regional Municipality and the direct provision of services to its citizens. The investment time horizon for this fund would generally be short term in nature with some cash requirements daily while others are on bi-weekly and monthly cycles. The capital fund provides for expenditures on infrastructure and capital assets. Cash requirements would be driven by project expenditures that could span more than one year. Permanent funding of these project expenditures by cost sharing from other levels of government, debt, etc. may also be received over a number of years creating a requirement for bridge financing. This temporary financing is usually provided by operating fund cash flows and results in reduced liquidity and investment income for the operating fund.

Schedule A attached provides sector weights and investment quality restrictions for the portfolios anticipated above as well as for the total of all funds invested.

The Investment Policy of the Halifax Regional Municipality has been established on the basis of certain objectives which shall be adhered to in the investment of funds by or on behalf of the Halifax Regional Municipality.

The Policy Committee shall review the administration of the Investment Policy by the Halifax Regional Municipality staff responsible for on-going investment activities, as designated by the Treasurer. Such review shall focus on compliance with the specific investment objectives of the Policy and continued relevance of the Investment Policy itself. The Policy Committee shall submit reports to Regional Council or the body designated by Regional Council not less frequently than quarterly.

The Investment Policy shall be reviewed by the Policy Committee annually. Each annual review shall include the continued relevance of the Policy objectives as well as the strategies employed to meet the objectives in the context of evolving market conditions, experience in applying the Policy to actual decision making as well as the history of the Policy. In addition, staff periodically consult with other Municipalities with similar investment activities and bring to the Policy Committee best practices of these other Municipalities for consideration for inclusion in the HRM Investment Policy.

C. Investment Objectives

The three objectives of the Investment Policy, stated in order of priority of importance, are as follows:

1. Preservation of Capital
2. Liquidity
3. Competitive Returns on Investments

To accomplish these objectives a number of strategies will be used. These strategies include, but are not limited to, portfolio diversification, regular review of performance and various risk management practices such as limitations on the percentage of the portfolio that can be invested in any one sector or entity as shown in the attached Sector Weight Schedules.

The Policy Committee shall review the Investment Policy and monitor the administration of the Investment Policy. Policy amendments, as necessary, shall be presented to Regional Council upon recommendation of the Chief Administrative Officer. The Policy Committee shall approve investment asset mix parameters, establish credit quality restrictions, and recommend an appropriate set of guidelines, practices and procedures for the investment of funds by the Halifax Regional Municipality.

D. Investment Policy

The Treasurer shall be responsible for administering the investment activities of the Halifax Regional Municipality in accordance with the Investment Policy. The Treasurer shall recommend to the Policy Committee investment asset mix parameters and credit quality restrictions and shall develop and maintain appropriate procedures and controls for recording, reporting, and monitoring investments to ensure that investments are made in accordance with the Investment Policy. The Treasurer shall monitor investment performance and prepare reports not less frequently than quarterly for the Policy Committee and Regional Council or the body designated by Regional Council on performance and adherence to the Investment Policy.

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objectives as discussed below.

The Sector Weight Schedules attached to this Policy should be used and interpreted in the context of the objectives of the Policy.

1. Preservation of Capital

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of preserving and protecting the principal amount. Accordingly,

all investment opportunities shall be evaluated on the basis of risk of loss or diminution of capital. Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

In assessing the degree of risk of an investment decision, greater relevant importance shall be given to the objective of preservation of capital than to the extent to which an investment provides for maintenance of necessary liquidity or a competitive return.

Investments which have been subject to a downgrade in their credit rating below the minimum level required by the Policy shall be converted to cash within a reasonable period of time, given prevailing market conditions.

2. Liquidity

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of maintaining liquidity necessary in order to meet fluctuations in the cash flow requirements of the Halifax Regional Municipality.

The type and term of investments shall be determined by reviewing a forecast of the cash flow requirements of the Halifax Regional Municipality. The forecast of cash flow requirements will determine the proper proportion of investments that have terms to maturity which match the cash flow requirements of the Halifax Regional Municipality.

Approach: Staff of the Halifax Regional Municipality shall develop, not less frequently than monthly, forecasts of cash flow requirements based on revenue and expense projections.

Surplus and/or reserve funds not required for immediate or near-term expenses can be classified as follows:

- minimum cash balances
- temporary surpluses from operating funds
- longer term cash surpluses from reserve and trust funds

Investments: Efficient cash management results from a consideration of liquidity requirements and asset distribution within the parameters of preservation of capital, attainment of maximum return on investment, and diversification.

Funds not required for a specific short-term need can be invested in longer term securities; here, the most important consideration is the expectation of future interest rates and a reliable forecast of the timing of the need for these funds.

It is recognized that the Liquidity Objective may be satisfied by the sale of investments to selectively meet cash requirements as long as the sale does not result in a loss of capital.

3. Competitive Return on Investments

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of obtaining a competitive return on investments and weighing investment

alternatives within the constraints of the policy objectives and subject to regular performance review. In evaluating the return on investments, performance of investments shall be measured against the median rate of return on a one year rolling basis of a recognized Institutional Pooled Fund Survey of Money Market Funds as agreed by the Policy Committee with an allowance for average fees for this asset class.

An investment program can be implemented through in-house management where individual investments are placed by Halifax Regional Municipality staff or through the use of an external pooled fund vehicle whereby active management is delegated to an outside service provider. A combination of the above is also allowable.

In the context of in-house management competitive return also implies a bidding process for each investment to ensure that the best return available at a given time is selected under the constraints of Objectives 1 to 3.

In the context of the use of external management (i.e. pooled fund), competitive return implies the selection of a service provider based on historical performance, fee structure, stability of the organization, ability to satisfy the Investment Objectives and other aspects of the Investment Policy.

For a combined approach an optimal choice would be made based on the investment options available under the constraints of the Investment Policy.

E. Investment Strategies

1. Diversification of Investment Portfolio

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of diversification of the investment portfolio in order to minimize risk and achieve optimal balance of risk and return.

The allocation and limitation of investments will be determined in accordance with the objective of diversification, using the following inter-related criteria:

- liquidity of investment
- credit rating of issuer
- maximum allocation by sector class (e.g. federal vs. provincial vs. municipal government issue / private sector)
- duration of investment (interest rate risk)

Foreign currency investments shall only be made to match foreign currency requirements to meet obligations payable in foreign currencies from time to time.

On the advice of the Treasurer, the Chief Administrative Officer shall recommend to Regional Council and or any body designated by Regional Council any changes to asset mix and the minimum credit rating criteria applicable to each investment type, class, and sector. Schedule A contains recommended sector weights and minimum credit rating criteria for investments by the Halifax Regional Municipality. Schedule B contains a list of categories of investments in which the Halifax Regional Municipality may invest. Schedule C contains a list of entities in which the Halifax Regional Municipality may invest. This list may be amended on the recommendation of the Treasurer and the concurrence of the Policy Committee as long as any additions meet the credit quality restrictions of Schedule A.

HRM staff shall select investments based on the above criteria which shall be reviewed by the Policy Committee not less frequently than quarterly.

Diversification involves the allocation of funds among various counterparties. There is an inherent cost associated with the movement of funds including wire fees and additional administrative overhead. To minimize this administrative overhead and cost while maintaining the diversification objective, the portfolio will be rebalanced semi-annually or at the discretion of the Treasurer or their delegate. Funds that are expected to be expended for operations prior to the next portfolio rebalance will be excluded from the calculation for the purpose of rebalancing and will be invested in an approved instrument that provides appropriate liquidity while maximizing the rate of return.

2. Regular Review of Performance

In order that a concise overview of the performance of investments may be gleaned by all stakeholders, all segments and the total investment portfolio shall operate within a sound system of regular measurement, reporting, review, and evaluation.

Performance of the portfolio shall be measured against appropriate external benchmarks as agreed to by the Policy Committee as well as the objectives of the Investment Policy taking into consideration the priority of each objective.

3. Risk Management Approach

As many of the aspects of the Investment Policy seek to address risk in its various forms, decisions that implement the Investment Policy must also be based on managing and balancing risks. Typical investment risks that can be managed are credit risk, liquidity risk and interest rate or market risk. It is also recognized that active management of risks does not guarantee particular outcomes.

There are also financial risks that are beyond the scope of this Investment Policy. For example, while Canadian Monetary Policy seeks a stable long term inflation rate of 2% which usually implies a short term interest rate structure above this inflation rate, there may be periods of time when interest rates may persist below the actual and desired rate of inflation. As a result the maintenance of a rate of return above the rate of inflation, although highly desirable, may not always be available given the constraints of the Investment Policy.

F. Valuation of Investments

Investments in publicly traded securities shall be recorded, by the custodian, on a mark to market basis and shall be reported to the Treasurer not less frequently than monthly.

Investment in pooled funds comprising publicly traded securities shall be valued according to the unit values published at least weekly by the pooled fund manager.

If a market valuation of the investment is not readily available, then a fair value shall be determined by the Treasurer in accordance with generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, as published in the Handbook of the Canadian Institute of Chartered Accountants, or any successor publication. For each such non-traded investment, an estimate of fair value shall be supplied by the custodian no less frequently than monthly. In all cases, the methodology should be applied consistently over time.

Any Custodian acting on behalf of the Halifax Regional Municipality shall record the investments held by the Halifax Regional Municipality. The Custodian shall also record and receive any income from these investments as well as perform those other duties typically associated with a professional custodian.

G. Conflict of Interest

A conflict of interest occurs when any interested person may benefit materially from knowledge of, participation in, or by virtue of an investment decision.

An "interested person" includes:

- any employee of the Halifax Regional Municipality who is managing in-house portfolios or is involved in the investment of funds by the Halifax Regional Municipality
- any member of the Policy Committee, and
- any person related to any of the foregoing

Should a conflict of interest occur, the person who has a conflict of interest or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the Treasurer. Any such party shall abstain from decision making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Treasurer.

Interested persons 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.

The Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts (CFA) Institute shall be expected to apply to external investment managers.

SCHEDULE A

Sector Weights – Total Portfolio

	Maximum % or \$ of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category 100%	Minimum Credit Rating Required*
CASH & EQUIVALENTS (Treasury Bills, Banker's Acceptance, etc. under one year)			
Federal Government & its Guarantees	100%	100%	N/A
Provincial Governments & their Guarantees	25%***	100%	R-1 Mid
Municipal Governments & their Guarantees	10%	25%	R-1_Mid
Schedule 1 Financial Institutions & their Guarantees	20% 15%	50%** 50%**	R-1 High R-1 Mid
Corporations	5%	5%**	R-1_High
FIXED (Bonds, etc. over one year)			
Federal Government & its Guarantees	100%	100%	N/A
Provincial Governments & their Guarantees	25%***	100%	A
Municipal Governments & their Guarantees	10%	25%	AA
Schedule 1 Financial Institutions (1-5years)	20%	50%**	AA

The Maximum % or \$ of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

Total Portfolio refers to all invested funds prior to allocation to individual Funds. Risk exposure, through Maximum % or \$ of Portfolio Per Issuer, is managed at the Total Portfolio level.

* Rating agency as determined by the Investment Policy Advisory Committee from time to time.

** The Total Maximum Allowable for Schedule 1 Financial Institutions and their Guarantees and Corporations in total shall not exceed 50%.

*** The Total Maximum Allowable exposure for individual Provinces and their Guarantees shall not exceed 25%.

SCHEDULE B

Eligible List of Investments

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the Investment Policy. The Halifax Regional Municipality may invest in the following asset categories:

- Banker's Acceptances
- Bearer Deposit Notes
- Canadian Treasury Bills
- Commercial Paper
- Municipal Promissory Notes
- Bank Subsidiary Paper
- Provincial Treasury Bills
- Term Deposits
- Guaranteed Investment Certificates
- CMHC Mortgage Backed Securities
- Federal, Provincial, Municipal Bonds and Debentures
- Corporate Bonds and Debentures
- Equities

Any obligations unconditionally guaranteed by the federal government of Canada
Any obligations unconditionally guaranteed by a provincial government of Canada

SCHEDULE C

Eligible List of Counterparties (Investment Entities)

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the Investment Policy. The Halifax Regional Municipality may invest in the following entities:

The Government of Canada and its Guarantees:	
Federal Government	Business Development Bank
Canada Mortgage and Housing Corporation	Canadian Wheat Board
Export Development Canada	Farm Credit Corporation

Provincial Governments and their Guarantees:	
Province of Alberta and its Guarantees	Province of Ontario and its Guarantees
Province of British Columbia and its Guarantees	Province of Quebec and its Guarantees
Province of Manitoba and its Guarantees	Province of Saskatchewan and its Guarantees
Province of New Brunswick and its Guarantees	Province of Nova Scotia and its Guarantees

Municipal Governments and their Guarantees:	
Municipality of Calgary and its Guarantees	

Financial Institutions and their Guarantees (Schedule 1):	
Bank of Montreal and its Guarantees	Royal Bank of Canada and its Guarantees
Bank of Nova Scotia and its Guarantees	Toronto Dominion Bank and its Guarantees
National Bank of Canada GDP Financial Inc	National Bank of Canada
Desjardins Group	Caisse Centrale Desjardins
Canadian Imperial Bank of Commerce and its Guarantees	

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Corporations:	
OMERS Realty Corporation	

Appendix A

Definitions

Risk: The quantifiable likelihood of loss or less-than-expected returns. Examples: currency risk, inflation risk, principal risk, country risk, economic risk, mortgage risk, liquidity risk, market risk, opportunity risk, income risk, interest rate risk, prepayment risk, credit risk, unsystematic risk, call risk, business risk, counterparty risk, purchasing-power risk, event risk.

Principal Risk: The risk of losing the amount invested due to bankruptcy or default. There is always the possibility that through some set of circumstances, invested money will decrease or completely disappear. In this case, principal is lost, not just profits.

Liquidity Risk: The risk that arises from the difficulty of selling an asset. An investment may sometimes need to be sold quickly. Unfortunately, an insufficient secondary market may prevent the liquidation or limit the funds that can be generated from the asset. Some assets are highly liquid and have low liquidity risk (such as stock of a publicly traded company), while other assets are highly illiquid and have high liquidity risk (such as a house).

Furthermore, in the context of the HRM Investment Policy, Liquidity Risk also refers to the risk of not having sufficient funds available to meet financial obligations as they come due.

Market Risk: Risk which is common to an entire class of assets or liabilities. The value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market. Asset allocation and diversification can protect against market risk because different portions of the market tend to underperform at different times.

Interest Rate Risk: The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time.

Preservation of Capital: A conservative investment strategy characterized by a desire to avoid risk of loss.

Liquidity: The ability of an asset to be converted into cash quickly and without any price discount.

Banker's Acceptance: A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a money market fund investment.

Treasury Bill: A negotiable debt obligation issued by a government and backed by its full faith and credit, having a maturity of one year or less.

Promissory Note: A document signed by a borrower promising to repay a loan under agreed-upon terms. also called note.

(Most of the definitions are from InvestorWords.com with some modifications to make them more relevant to the Investment Policy)

INVESTMENT POLICY

BE IT RESOLVED by the Council of the Halifax Regional Municipality that the *Investment Policy* is amended as follows:

1. Schedule A is amended by:

(a) adding the percentage sign “%” after the number “100” in the row titled “CASH & EQUIVALENTS (Treasury Bills, Banker’s Acceptance, etc. under one year)” and under the column “Maximum Allowable % of Portfolio Per Category”; and

(b) adding the word “Credit” after the word “Minimum” and before the word “Rating” in the title of the third column.

2. Schedule C, Eligible List of Counterparties (Investment Entities), is amended by:

(a) striking out the words and abbreviation “CDP Financial Inc” “Desjardins Group” and “Caisse Centrale Desjardins” in the chart titled “Financial Institutions and their Guarantees (Schedule 1)”;

(b) moving the words “National Bank of Canada” from the second column to the first column under the row “Bank of Nova Scotia and its Guarantees “and above the row “Canadian Imperial Bank of Commercial and its Guarantees” in the chart titled “Financial Institutions and their Guarantees (Schedule 1)”;

(c) striking out the chart entitled “Corporations”.

Done and passed this day of , 202 .

Mayor

Municipal Clerk