



ADMINISTRATIVE MEMORANDUM No. 131 Rev.1

**SUBJECT: AMENDMENT OF CHAPTER XII OF THE BUDGETARY
AND FINANCIAL RULES: INVESTMENTS**

CONSIDERING,

That by Administrative Memorandum No. 103, the Assistant Secretary for Administration issued new Budgetary and Financial Rules which incorporate sound business and accounting practices, controls, and procedures, which more faithfully reflect practices and procedures implemented in the course of the General Secretariat's conversion to the Oracle information system since 1999; and

That financial market conditions have significantly changed since the original issuance of Chapter XII of the Budgetary and Financial Rules.

THE DECISION:

1. To update existing investment principles and guidelines to effectively adapt and respond to the conditions of financial markets by allowing the Department of Financial Services ("DFS") to reposition the GS/OAS investment portfolio under relevant and actionable Rules.
2. To replace current Chapter XII of the Budgetary and Financial Rules with a new Chapter XII as set forth in Attachment A.
3. To revoke as of the date of this Administrative Memorandum any and all provisions contained in prior administrative issuances of the General Secretariat that are inconsistent with the Budgetary and Financial Rules attached hereto.

A handwritten signature in blue ink that reads "Jay Anania".

Jay N. Anania
Secretary for Administration and Finance

Original: English

November 14, 2022

Attachment A: Chapter XII of the Budgetary and Financial Rules

ATTACHMENT A

CHAPTER XII

INVESTMENTS

XII.1 OBLIGATION TO INVEST AND INVESTMENT POLICY

a. Pursuant to Article 85 of the General Standards, the Secretary General shall invest GS/OAS funds and other funds of the Organization under GS/OAS' control when those funds are not immediately needed for disbursements. The Secretary General must accredit and report on these investments consistent with Article 84;

b. Funds' assets shall be aggregated for the purposes of investment and consolidated into a Treasury Fund Account. The Organization's funds benefit from economies of scale, which allow for lower trading costs per dollar of investment, diversification, and professional money management;

c. Investments shall be registered in the general ledger at their historical cost and shall include realized gains and losses, proceeds of sales and income accrued and earned;

d. The Secretariat for Administration and Finance will prepare and update a detailed stand-alone document, the "GS/OAS Investment Policy Statement" (IPS) to establish objectives and guidelines related to the investment of Treasury Fund assets. The GS/OAS will publish the IPS on the OAS.org accountability tab or its successor.

XII.2 RESPONSIBILITY FOR SUPERVISION AND ADMINISTRATION

a. The Secretary for Administration and Finance will establish and maintain an Investment Committee (IC) composed of the Secretary for Administration and Finance (SAF), the Director of the Department of Financial Services (DFS), the Chief of Treasury of DFS, and the Cash Manager of DFS. The Chief of Treasury is the Committee Secretary, and the SAF is the Chair:

i. The IC shall hold regular quarterly meetings and shall meet more frequently as circumstances require;

ii. The IC shall keep the minutes of the meetings. The Chair shall, in consultation with other IC members, set the agenda for and preside over the meetings;

iii. The IC shall keep abreast of financial market conditions and developments and consider modifications to the IPS as appropriate. The Treasurer shall routinely provide

recommendations for such changes. The IC may seek advice from any qualified source. The IC may employ one or more investment managers and/or consultants to attain its objectives. The IC may consider consultation opportunities with other committees/boards that oversee other GS/OAS assets invested according to separate investment policies. These include, but are not limited to, the Leo S. Rowe Pan-American Fund (Rowe Pan American), Medical Benefits Trust Fund (MBTF), Retirement and Pension Fund (RPF), Rowe Memorial Benefit Fund (Rowe Memorial), and Trust for the Americas (the Trust);

iv. The Secretary General (SG) has the right and the duty to overrule any action taken by the IC that the SG concludes is not in the best interest of the General Secretariat. Such decisions will be communicated in writing and may result in changes to the IPS or policy manuals.

b. The objectives and responsibilities of the Investment Committee shall be:

i. Understand GS/OAS investment goals and how these objectives support the entity's mission;

ii. Periodically review the IPS of the GS/OAS;

iii. Monitor the performance of investment funds and investment managers in accordance with the IPS;

iv. Recommend, as needed, retaining or replacing investment managers, custodians and/or investment funds for the portfolio;

v. Inform the Audit Committee concerning all investment-related policies and results, including any deviations from the IPS;

vi. Coordinate meetings with financial institutions and consultants.

c. The Treasurer is responsible for the continuous day-to-day supervision and administration of Treasury Account assets. The Treasurer is responsible for advising the IC concerning the formulation and maintenance of the general investment objectives and guidelines for the selection of financial institutions, managers, custodians, and consultants. The Treasurer shall meet at regular intervals with the SAF to provide updates and advice concerning the Treasury Account, coordinating such activities with the Director of DFS.

XII.3 INVESTMENT OBJECTIVES.

a. The Treasury Account shall be managed to attain the following objectives in order of importance:

- i. Safety. Ensure preservation of capital by mitigating credit and interest rate risk.
- ii. Liquidity. Maintain sufficient liquidity commensurate with anticipated future needs allowing for non-recurring demands as are from time to time made upon the reserve sub-fund of the Regular Fund for emergencies that arise in the Member States.
- iii. Return on Investment. Deliver competitive returns subject to prevailing market conditions.

XII.4 INVESTMENT PRINCIPLES AND GUIDELINES

a. The assets of the Treasury Fund will be managed in accordance with the IPS. The principles guiding investment of all funds held by the GS/OAS are as follows:

- i. Investments should be made with prudence, skill, and diligence.
- ii. Investments shall be diversified among institutions and instruments to reduce risk.
- iii. Investments shall be made according to the projected disbursements and estimated future income.
- iv. Investments shall be made in U.S. dollar denominated securities that can be readily converted into cash, such as Treasury bonds and notes, Federal agency securities, or certificates of deposits of major domestic banks or corporations.
- v. Investments shall be made in high credit quality securities (having good assets protection and the least amount of risk on returns) to guarantee maximum capital preservation.
- vi. Investment managers shall conduct themselves in accordance with these objectives and guidelines. Modifications may be proposed to the IC by investment managers and/or consultants when appropriate.
- vii. Cash deposits of the Treasury Fund may be used as collateral for loans approved by the General Assembly or Permanent Council.

XII.5 PERFORMANCE BENCHMARKS

a. The IPS will include appropriate, widely disseminated benchmarks with which to compare the performance of the actual portfolio.

XII.6 INVESTMENT IN OTHER CURRENCIES

a. By default, all investments will be made in U.S. dollars, the official currency of the GS/OAS. The IC may consider exceptions to permit Investments denominated in other currencies. Such investments will be managed consistent with the objectives in section XII.4. If such investments are made, the IPS should be updated consistent with such decisions.

XII.7 INCOME FROM INVESTMENTS

a. Income received by the Treasury Account will be distributed among the Funds with monies invested in the Treasury Fund according to the “Interest Distribution and Accreditation Procedure” established by DFS.

XII.8 CUSTODY AND WITHDRAWAL OF SECURITIES

a. All securities shall be deposited either in the custody of duly appointed banking institutions or in safe deposit vaults maintained in a recognized financial institution designated by the Treasurer.

b. Withdrawal of securities from the custody of banking institutions or access to safe deposit vaults shall require the authorization and signature of two persons designated for that purpose by the Treasurer.