



# Evaluation of Municipal Securities

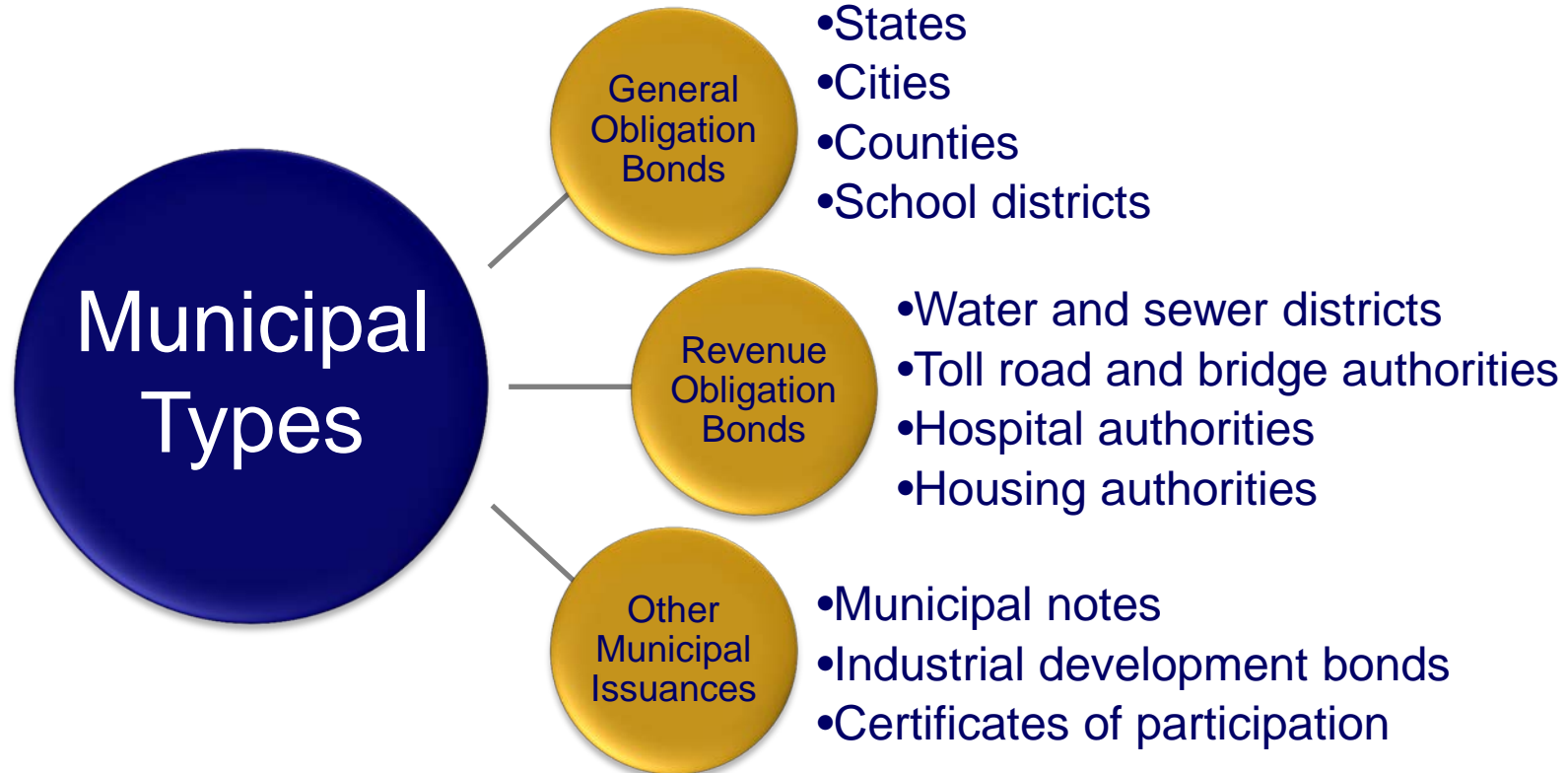
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## II. Investment Policies & Procedures

# Policy Content

- Portfolio objectives
- Authorized investments
- Lines of authority and responsibility
- Risk limits
- Guidelines for pre-purchase analysis and ongoing monitoring
- Measurement and reporting
- Accounting and taxation
- Independent review

# Authorized Municipal Investments



# Risk Limits



# Pre-purchase Analysis & Ongoing Monitoring

- Define the scope of pre-purchase analysis and ongoing monitoring
- Establish underwriting criteria to meet safety and soundness standards
- Outline acceptable use of third-party analysis
- Determine the potential use of NRSRO ratings as a component of the overall analysis

NRSRO: Nationally Recognized Statistical Rating Organization

# Measurement & Reporting

- **Risk Measurement Systems**

- ◆ Identify higher-risk securities
- ◆ Measure portfolio credit, liquidity, and interest rate risks
- ◆ Summarize portfolio diversification

- **Board Reporting**

- ◆ Summarize investment activity, risk measures, and compliance with policy limitations
- ◆ Document management oversight in board minutes

# Independent Review

- Appropriateness of risk management practices
- Compliance with policies, procedures, and limits
- Timeliness, integrity, and usefulness of measurement and reporting systems
- Exceptions noted and corrective action implemented

# Summary

- **Investment policies should provide specific guidance, and include common elements:**
  - ◆ Authorized investments
  - ◆ Portfolio risk limits
  - ◆ Pre-purchase analysis and ongoing monitoring expectations
  - ◆ Measurement and reporting requirements
- **Policy depth and detail varies based on the nature and complexity of investment activities**