THE RICE MARKETING BOARD FOR THE STATE OF NEW SOUTH WALES

INVESTMENT POLICY

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2008-1	Robyn Clubb	
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2009-3	Robyn Clubb	21 September 2009
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INVESTMENT POLICY

1. Background

The Financial Provisions of the *Rice Marketing Act 1983* dictate how money held by the Rice Marketing Board for the State of New South Wales (the Board) may be invested:

Part 6 Financial Provisions, Division 1, Section 111 Investment of money of authority:

1. "Money held by an authority may be invested:
    a. in any manner for the time being allowed by an Act for the investment of trust money,
    b. on deposit with the Treasurer,
    c. (Repealed)
    d. With the approval of the Minister and with the concurrence of the Treasurer, in any other manner.
2. An approval or concurrence referred to in subsection (1) may be given for a particular case or for any class of cases."

Treasury risk management for the Board is conducted in accordance with the NSW Treasury policy TPP15-03. The Board takes advice from an independent Audit and Risk Committee, and has a Risk Management Framework and a Risk Register. The Board strives to have an excellent understanding of where financial risks occur and to develop and maintain effective reporting and disclosure of those risks.

The Board collects the licence fee for the Sole and Exclusive Export Licence and annual authorised buyers' licence fees, and invests those fees until required for the operating expenses of the Board.

Investment Strategy

The Investment Policy adopted by the Board is constructed to ensure financial risk is minimised whilst maximising investment returns within the constraints of capital preservation.

The types of financial risk relevant to investments suitable for the Board are Market Risk, Credit Risk, Liquidity Risk, and Operational Risk.

> **Market Risk** is a product of the level and shape of the yield curve, levels of interest rate volatility and the implied future direction of these rates.

Credit Risk is rated by Standard & Poor's on a short and long term basis and relates to the capacity of an institution to meet its financial commitments.

Liquidity Risk relates to the potential an organisation cannot fund its operations or convert assets into cash to meet commitments.

Operational Risk is the risk associated with employing inadequate internal controls, adopting inaccurate valuation methods or guaranteeing the legal enforceability of contracts.

Market risk has been limited because generally short-term funds, invested in bills of exchange, are placed for terms no longer than two years. This ensures the Fund follows the market trend in interest rates.

Credit risk has been limited by:

Cash and short-term capital secure investments

- Selecting institutions rated no lower than A1+ using Standard & Poor's short term rating for cash and short term fixed interest investments. These are the strongest of the short-term institutional ratings;
- Selecting products supplied by the above institutions which are 100% capital guaranteed by the Financial Claims Scheme (currently up to AUD$250,000).
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Diversification

- Ensuring sufficient diversification of investments amongst institutions.

Liquidity Risk has been limited by ensuring sufficient funds are available that can be 'cashed up' within 3 – 5 working days or as allowed by the financial institution holding the investment.

Operational Risk has been limited by ensuring adequate internal controls are in place with regular reporting, monitoring and auditing of investments.

Investment Guidelines

- Cash Account: An 'at call' account to maintain a balance necessary to cover funding requirements for short term anticipated expenses of the Board.

- Surplus funds (greater than the requirements above) to be invested in bank secured bills of exchange or term deposits on the following basis:

    - For investments in major banks. i.e., CBA, WBC, NAB, ANZ and Rabobank, investments must be no more than the current

maximum covered by the Financial Claims Scheme in the one institution (currently AUD$250,000), or
- Where interest rates are expected to rise within the next twelve months, short term (less than twelve month) investments are to be selected. Conversely, where interest rates are expected to fall, longer term (to a maximum of two years) investments are to be selected.

Transactions that are prohibited include:
- Transactions executed for the sole purpose of earning a premium in exchange for exposing a business to credit risk (eg credit default swaps);
- Risk-leveraged derivative instruments;
- Exposure to unhedged foreign exchange rate risk; and
- Speculative transactions.

Operational Controls over Investments

To ensure adherence to the investment guidelines, the following controls will apply:

- The Secretary will prepare reports to the Board covering:
  - the categorisation of investments, their term and investment returns;
  - the current interest rate yield curve; and
  - the moving average interest rate received.
- Reinvestments will be approved by the Board prior to lodgement. The Board may delegate the approval authority to the Chair of the Board and/or the Chair of the Audit and Risk Committee.
- An annual audit of the Fund will be undertaken, including confirmation of the portfolio of investments, by the external auditors.

Further information

For further information concerning the Board's investment policy, please contact:

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Document Approval and Control

a. Version

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b. Revision History

Version	Revision Date	Summary of Change	Author
2018.1	7/9/2018	Update for Audit and Risk Committee	C Chiswell
2020.1	30/3/2020	Update to ensure investments covered by Financial Claims Scheme	C Chiswell

c. Document Approval

Board Approval	Date
v.2018-1 FINAL	16/10/18
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