ADMINISTRATIVE MEMORANDUM No. 131

SUBJECT:  AMENDMENT OF SECTION XII.6 OF THE BUDGETARY AND FINANCIAL RULES: INCOME FROM 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 to improve efficiency of the processes and procedures to calculate and distribute interest income by the Department of Financial services (“DFS”), it is necessary to amend those Rules,

THE DECISION:

1. To replace Section XII.6 of the Budgetary and Financial Rules with new Section XII.6 as set forth in Attachment A.

2. 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.

Jay N. Anania
Secretary for Administration and Finance

Original: English
August 22, 2016

Attachment A: Section XII.6 of the Budgetary and Financial Rules
Attachment B: Interest Distribution and Accreditation Procedure established by the Department of Financial Services (DFS)
ATTACHMENT A

XII.6 INCOME FROM INVESTMENTS

a. Income received and accrued 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 the Department of Financial Services (DFS).
INTEREST DISTRIBUTION AND ACCREDITATION PROCEDURE

Department of Financial Services (DFS)
INTEREST ACCREDITATION

Introduction
DFS is responsible for determining the policy regarding interest distribution. Various Funds and Projects/Awards receive a credit for interest each quarter, where there is a positive investment return, on the basis of the distribution of the earnings from the investment of these funds. Projects/Awards receive interest accreditation only if required by the donor’s agreement and if the Project/Award complies with the OAS Indirect Cost Recovery (ICR) policy dispositions. The Financial Operations and Analysis Section is responsible for the interest distribution calculation and accreditation.

Minimum Cash Balances
Interest calculation will be performed only for those Average Cash balances that reach a minimum target of $100,000 at the Fund and Project/Award level. Average Cash Balances are calculated monthly at the Fund and/or Project/Award combination level. Interest accreditation will be recorded quarterly.

Minimum Interest Accreditation
Interest accreditation will be recorded only to those projects that earned a yield of at least $200 over the quarter.

Interest Rate
The interest rate to be applied for interest accreditation equals the Citigroup 3-Month CD Index\(^1\). This index is the benchmark interest rate to measure the short-term performance of the OAS Managed Investment Portfolio.

Interest Accreditation by Fund

- Interest Accreditation by Fund = Average Equity Balance by Fund x Citigroup 3-Month CD interest rate Index.

- Interest accreditation at Fund level will be recorded in General Ledger with a manual JE.

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\(^1\) This index measures monthly return equivalent of yield averages that are not marked to market. The CD rate is a rotating sample (collected by the New York Federal Reserve Bank) of five banks and dealers surveyed daily about secondary market dealer offer rates for jumbo certificates of deposit. Returns for these indexes are calculated on a monthly basis only.
Interest Accreditation by Project/Award

- Run the OASES Project Award for Interest Accreditation under OASES-GMS to get the list of all Project/Award that require interest accreditation and their average cash balances. Project/Award combinations will only show under this report if the condition for interest accreditation is activated in GMS.

- Based on the above report, interest accreditation will be only to those Project/Award combinations that reach a minimum Average Cash balance of $100,000.

- In general, interest is calculated by multiplying the Citigroup 3-Month CD interest rate Index by the Average Cash Balance of a Project/Award combination. Special considerations or exceptions are noted below.

- Interest accreditation at Project/Award level will be recorded in Grants and General Ledger.

- There are some special considerations/exceptions depending on donor agreement requirements; in those cases, the interest calculation and accreditation may differ from the above procedures.

Special Considerations

- Fund 111, 114 and 115 equity balances are consolidated into Fund 111 for interest accreditation purposes.

- Fund 312: Per donor’s agreement interest must be credited to this fund regardless of the minimum cash balance required; the minimum $100,000 average cash balance does not apply to this fund.

- USINL Projects/Awards: Interest on these projects is refunded to DOS yearly. Therefore, interest on these projects is calculated based on aggregate average cash balance by award and recorded to a dedicated interest project that cannot be used in order to preserve the funds. Minimum $100,000 average cash balance applies to these projects.

- Fund 415: Unless any particular Project/Award combination reaches the minimum balance required for accreditation, all interest calculated at fund level will be recorded to the designated interest project: TRUST-INTEREST TRUST-OA/2010.

- Fund 814: Total interest to this fund is calculated at fund level and is recorded to the designated interest project: SEDI-DCF-2016, Project: DCF-DIST-2016.

- Total interest to the Funds listed below is calculated at fund level. All interest earned by these Funds is credited to the ICR (Fund 610) on a quarterly basis.
- Fund 118: Office in the Member States
- Fund 121: Tax Equalization Fund
- Fund 125: Building Management & Maintenance
- Fund 604: Specific Fund Termination Reserve Fund
- Fund 605: Technical Areas
- Fund 606: Common Cost Revolving
- Fund 620: Provision of Services
- Fund 708: Workmen's Compensation Fund
- Fund 710: Health Unit Vaccinations Account
Annex 1

Rules and Regulations

Article 78. Banking Deposits, Interest, and Indirect Costs; Article 79. Investment of Funds
http://www.oas.org/legal/english/Standards/GenStandCapIV.htm

Administrative Memorandum No. 103
Budgetary and Financial Rules. Chapter XII – Investments
http://oasconnect/Portals/0/Budget/Documents/Budgetary&Finanadmen103.pdf

AG/RES. 1902 (XXXII-O/02)
8. Investment Policy
http://www.oas.org/consejo/GENERAL%20ASSEMBLY/Resoluciones-Declaraciones.asp

AG/RES. 1909 (XXXII-O/02)
The Program-Budget of the Organization for 2003; Quotas and Contributions to the Voluntary Fund for 2003. THIRTY-SECOND REGULAR SESSION. BRIDGETOWN, BARBADOS. June 2 - 4, 2002
http://www.oas.org/consejo/GENERAL%20ASSEMBLY/Resoluciones-Declaraciones.asp