



**RIPE NCC**

RIPE NETWORK COORDINATION CENTRE

# **Treasury Statute**

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# Treasury Statute RIPE NCC

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## **Purpose of the Treasury Statute**

The purpose of this document is to set out the principles with regard to the stable management of the RIPE NCC financial reserves. The RIPE NCC has a very conservative financial policy aimed at minimising the risk for its financial reserve. The stable financial asset management must be achieved with respect to the principles of public accountability, and in compliance with the principles set out over the years with regard to the stable and sound management of the RIPE NCC financial reserves.

The Treasury Statute addresses the risks encountered by the RIPE NCC related to its activities and establishes a framework of management for those risks.

The documentation and enhancement of a treasury risk management framework is necessary to ensure stability in asset management and consistent practices. This document will also prevent the exposure of funds to risks outside of limits acceptable to the RIPE NCC.

## **2. Principles of the financial policy in terms of return and risk**

### **General**

The financial principles are agreed between the Executive Board and the RIPE NCC Management and are aimed risk reduction and financial stability. The financial goals are:

- The general financial policy is very conservative.
- The assets are spread over low-risk asset classes to decrease counterparty risk from, for instance, financial institutions.
- The main goal for the assets of the RIPE NCC is to minimise the risk by preserving the principle amount at the best possible return.
- The assets are spread over more than one currency to decrease the exposure towards one single currency.
- The assets denominated in other currencies may accumulate to a maximum of 50% of the total financial reserve.
- Most funds must at all times be available to the RIPE NCC organisation. Liquidity of funds is an important factor for unforeseen financial circumstances that may suddenly appear.

- There will be a tiered structure for the maturities and liquidity of the investments.
- Investment assets at banks are held segregated from the bank balance in a separated entity (the Custodian) at all times. If a bank defaults, these assets are owned by the RIPE NCC and will not be part of the bank defaulting.

### **Working capital**

Working capital is defined as: Annual contributions + 20% of the total reserves.

### **Return**

The RIPE NCC does not have the management of its financial reserves as a goal. Return on the assets is subject to the minimisation of risk. The RIPE NCC aims at an overall target return of: 12-months Euribor + 0.5%.

\* The Euribor (Euro Interbank Offered Rate) is the benchmark rate offered by one bank to another primary bank on the interbank money market at which deposits with maturity up to one year in Euro within the European Economic and Monetary Union. Euribor rates are available for all maturities from 1 up to 12 months.

### **Strategic asset mix:**

<b>Strategic Asset Mix</b>			
	<b>Minimum</b>	<b>Standard</b>	<b>Maximum</b>
<b>a. Fixed income</b>	10%	40%	<b>50%</b>
<b>b. Deposits</b>	10%	55%	<b>60%</b>
<b>c. Current account</b>	0%	5%	<b>10%</b>
<b>d. Equity</b>	0%	0%	<b>0%</b>
<b>Total</b>		<b>100%</b>	

The strategic asset mix will be divided into three parts: short-, mid- and long-term reserves. Each part has its own asset mix:

- **Short-term reserves (working capital) (<1 year), very low risk (30%):**

<b>Strategic Asset Mix</b>			
	<b>Minimum</b>	<b>Standard</b>	<b>Maximum</b>
a. Fixed income	0%	10%	20%
b. Deposits	10%	15%	30%
c. Current account	0%	5%	10%
<b>Total short-term reserves</b>		<b>30%</b>	

- **Mid-term reserves (working capital) (>1 year, <3 years), very low risk (60%):**

Strategic Asset Mix			
	Minimum	Standard	Maximum
a. Fixed income	10%	20%	25%
b. Deposits	20%	35%	40%
c. Current account	0%	5%	10%
Total mid-term reserves		60%	

- **Long-term reserves (surplus) (>3 years), very low risk (10%):**

Strategic Asset Mix			
	Minimum	Standard	Maximum
a. Fixed income	0%	10%	10%
b. Deposits	0%	0%	0%
Total short-term reserves		10%	

### 3. Financial instruments and financial arrangements

#### **Guidelines on investment:**

##### **General:**

All investments apart from deposits must be daily callable (daily liquidity).

##### **Fixed income:**

- Fixed income investments can be denominated in Euro or in other currencies that are instantly exchangeable with the Euro;
- The investments in non-Euro denominated bonds and securities will amount more than 0% of total fixed income but less than 35% of our total fixed income portfolio.
- Fixed income should be rated at the highest current rating, at the moment this is at least S&P AA, Moody's AA2 or higher;
- At least 70% of the bonds must be government bonds of the highest current rating in principle this will be outstanding quality (AAA) but in case no country meets this criterion the next highest rating;
- In case a fixed income asset is downgraded, the Executive Board will jointly with the MD and Finance Manager decide on whether this asset can be retained or will be sold.
- The fixed income must be spread across a diversity of countries with an aim to have at 4 or more different countries at an equal footing within the portfolio at any point in time;
- The fixed income must be liquid and daily trade able in an efficient market

- The fixed income assets will not actively be traded and will have a good spread across maturity;
- The fixed income part of the strategies can be placed in individual bonds; The remaining duration to maturity of individual bonds is maximum 10 years.

Description	Moody's	S&P
<b>Prime</b>	Aaa	AAA
<b>High grade</b>	Aa1	AA+
	Aa2	AA
	Aa3	AA-
<b>Upper Medium grade</b>	A1	A+
	A2	A
	A3	A-
<b>Lower Medium grade</b>	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-

#### **Deposits:**

- Deposits will be placed with first class banks, rated at the best current bank grade or the second best current bank grade;
- Deposits will have a rolling maturity over the course of the year;
- All deposits should not sit with any one organisation for more than 49% of the total of all deposits;
- Deposits will have a duration that reflects the yield curve and thus may vary over time but should not exceed one year.

#### **Current account:**

- Cash accounts can be held in EUR and in foreign currency like USD and AED.
- A cash account is held in USD to cover USD obligations for a 24-months period.

#### **Monitoring of investments and deposits**

All investments and deposits will be actively reviewed and monitored by the Finance Manager and the Treasurer of the Executive Board. On a monthly basis a short report will be presented to the Executive Board. On a quarterly basis an extensive report, including advisories from the different financial institutions will be provided to the Executive Board and the Management. Discussion on the investments, deposits and the Treasury statute will take place when needed but will at least once a year be part of the Executive Board meeting for review.

#### **4. Banking facilities**

##### **Approved counterparties**

RIPLE NCC banking activity may only be transacted with counterparties for whom approval has been granted by the Executive Board. These counterparties shall be first class institutions and be rated at the highest current bank grade or the second

highest current bank grade. If an institution rates for a period of more than half-a-year lower than these 2 highest grades it will be removed from the approved counterparties list and the deposits will be transferred to another institution.

## 5. Third parties

The RIPE NCC management may consult third parties on a regular basis for financial advice or for support in asset management reporting. These third parties must comply with this document. The management will provide a copy of this document to these third parties. Third parties must refer to this document in their contract with RIPE NCC.

Preferably, third party advisors will have a quality certification such as SAS-70 type II.

## 6. Code of conduct

All individual members of the Executive Board, the RIPE NCC Management and third parties should act according to the highest ethical standards regarding this document in all circumstances. This means that all members must avoid any conflict of interest between private and business interests.

The compliance with this Code will periodically be discussed in the meetings between the Executive Board and the RIPE NCC Management. Apparent doubt as to compliance with this Code will be reported directly in these meetings.

## 7. Delegated authority framework

All activities are authorised by dual-authorisation. The transfer of funds must meet the requirements stipulated by the Financial Transaction Authorisation Procedure.

Activity	Delegated Authority	Parameters
<b>Banking</b>		
Opening bank account	MD + Finance Manager	Must be an approved counterparty
Closing bank account	MD + Finance Manager	Must be an approved counterparty
<b>Financial markets</b>		
Approval of short-term investment strategy	Treasurer + MD	Must be approved by the Board
Approval of mid-term investment strategy	Treasurer + MD	Must be approved by the Board
Approval of long-term investment strategy	Treasurer + MD	Must be approved by the Board
<b>Fixed Income</b>		
Establishing fixed income	Treasurer + MD	Must be an approved counterparty
<b>Deposits</b>		
Establishing credit	MD + Finance Manager	Must be an approved counterparty

arrangements
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Information provision	Frequency	Reporting line
Short-term investments	Monthly	Finance Manager to Board
Mid-term investments	Quarterly	Finance Manager to Board
Long-term investments	Quarterly	Finance Manager to Board
Investment performance	Quarterly	Finance Manager to Board
Overall asset-mix	Quarterly	Finance Manager to Board
Risk management report	Quarterly	Finance Manager to Board

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This version will be reviewed by : 30 June 2023

Contact person:

The following person may be approached on a routine basis in relation to this procedure:

SJ Haytink, Finance Manager



**This document is agreed upon by the RIPE NCC Executive Board:**

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