

AGA KHAN UNIVERSITY

Guidelines, Policies and Procedures

Policy Name	Short Term Fund Management Policy
Policy Number	AKU-K/FIN/PL - 011
Approved by	Chief Financial Officer
Date of Approval	4th November 2022
Contact Office	Office of the University Registrar

1. **Purpose:**

- 1.1. This policy provide guideline for the short term investment in risk free avenues of idle funds available with entity so that institution can get appropriate return on its idle funds.

2. **Scope:**

- 2.1. The policy is applicable to all units of The Aga Khan University Kenya (AKU-K). The word AKU-K is herein referred to as the "Institution".

3. **Responsibility:**

- 3.1. Finance Department's Cash and Banking section is responsible for the investment of short term investment.
- 3.2. Head of entities/finance of relevant entity should provide funding needs of their entities to Cash and Banking section of Finance Department in order to work out the excess/idle funds for short term investment.

4. **Terms and Definitions:**

- 4.1. **"Excess Fund/Idle Fund"**: Excess/idle fund means funds available in the institutional bank account in excess of its next 30 days' requirements.
- 4.2. **"Short Term Investment"** refer to investment in those risk free avenues which can be en-cashed any time without incurring any lose to the principle value of funds/investment, in case of an emergency.
- 4.3. **"Risk Free Avenues of Investment"** refers to those investment avenues where there is no risk of financial loss due to financial position of the institution. Means the credit rating of the bank is at least A /reputation of the institution is excellent and the mode of investment in those financial institution can be en-cashed in 3 days' notice without incurring any loss to the principle amount of investment/fund.
- 4.4. **"Appropriate Return on Investment"** refer to the return which is equal to or higher than bank rate in the country for 30 days' term for local currency funds and US bank rate for dollar based funds for 30 days' term.

4.5. **“A rated bank/bank with good financial standing”** means any bank which has good credit worthiness where intuitional funds are safe/risk free. If the country has the credited rating agencies, Bank with credit rating of A and above is considered good financial standing. Whereas in case of no credit rating agency available in the country Cash and Banking Section will do market search and analysis of financial statement of bank to shortlist the name of banks in this category where institution is allowed to invest its funds. This should be approved by Director Finance/CFO.

5. **Process / Procedure:**

5.1. **Observations and limitations**

5.1.1. Institutional idle funds available in institutional bank account should be invested in risk free investment based on the availability of funds so that institution should get return on its idle funds.

5.1.2. Investment cannot be made in corporate equity.

5.1.3. Investment should be made only in the fixed return instrument and should not be invested in uncertain return based instruments.

5.1.4. Investment should not be make in an instrument if it is publicly known that the issuer of the instrument has committed default while availing of any financing facility.

5.1.5. Investment avenues should meet the legal requirements of Companies Statue of the country.

5.2. **Procedure for local currency advances**

5.2.1. At the end of every month Cash and Banking Section should prepare funds flow statement with the help of entity representatives to work out their funding needs.

5.2.2. Based on the funding need analysis Cash and Banking Section identified the idle funds available in the institutional bank account. It should also be identified that for how long this idle funds would be available in institutional bank account.

5.2.3. Based on the idle funds analysis Cash and Banking Section should invite quote from various A rated/good financial standing banks.

5.2.4. Based on the analysis of quotes a final decision be made with the approval of Director Finance to invest the institutional idle funds.

5.2.5. The above exercise should be done separately for local currency funds as well as for hard currency funds.

6. **Review of Policy**

6.1. This policy document shall be reviewed every three year or as required.

7. **Reference(s):**

7.1. N/A

8. **Annexures:**

8.1.