

COUNCIL
108th session
Agenda item 5(c)

C 108/5(c)
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RESOURCE MANAGEMENT

(c) Report on investments

Note by the Secretary-General

SUMMARY

<i>Executive summary:</i>	This document reports on the investment of the Organization's monies during 2011
<i>Strategic direction:</i>	4
<i>High-level action:</i>	4.0.1
<i>Planned output:</i>	4.0.1.2
<i>Action to be taken:</i>	Paragraph 9
<i>Related document:</i>	C 106/5(c)

Introduction

1 Article IX of the IMO Financial Regulations requires the Secretary-General to report periodically to the Council on the investment of the Organization's monies not needed for immediate use.

2 The Organization operates an Investment Policy which sets out the process to be followed when assessing and investing excess funds. Among other matters, this requires a monthly forecast of cash income and disbursement in order to determine funds available for investment; the use of a pre-approved counterparty list of major financial institutions with minimum credit ratings when placing investments; and a working maximum of £10 million to be placed on deposit with each in order to diversify treasury risk. Under the evolving economic conditions, the Organization sought advice from its independent treasury advisor on a regular basis throughout the past year and has adopted a risk averse policy in relation to its investment portfolio.

Investments and interest earned in 2011

3 The level of funds available in the General Fund for short-term investments as bank deposits throughout the year depends on the monthly flow of contributions received from Member States; actual monthly disbursements incurred for approved expenditure; and transfers to and from other funds as approved by the Assembly, at its twenty-sixth regular session in November 2009, by resolution A.1014(26). The cash balance, including term deposits in the General Fund as at 1 January 2011, was £5,008,126.

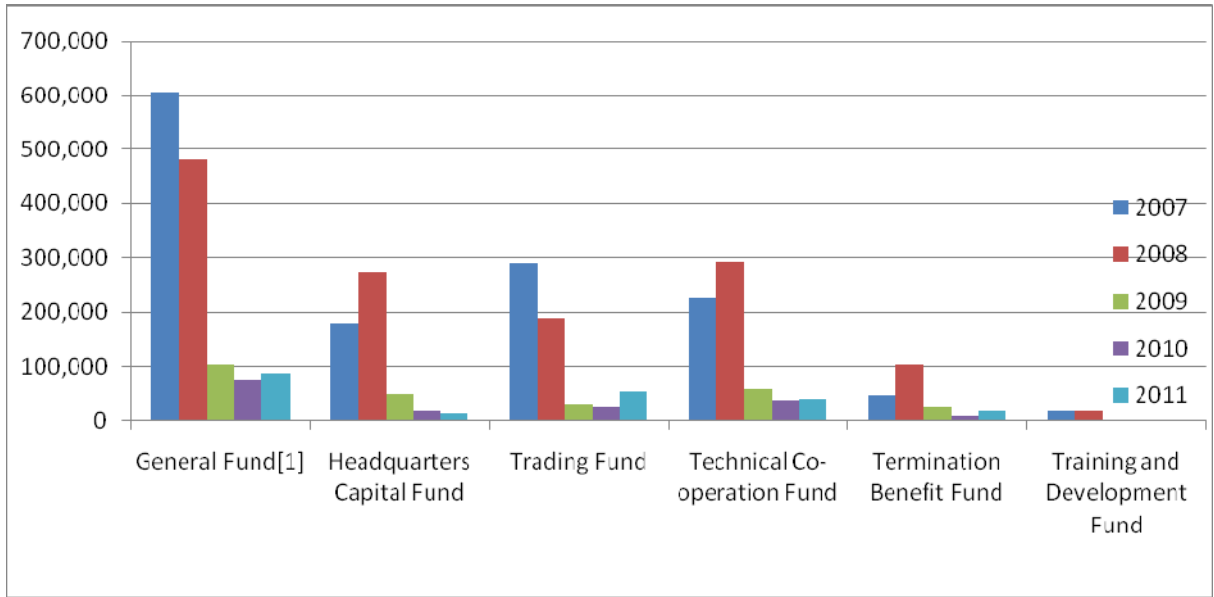
4 The Trading Fund commenced in 2011 with a cash balance, including term deposits, of £8,852,108. Sales of publications remained at a high level throughout the year under review, which resulted in the following transfers being made from the Trading Fund in accordance with annex 4 of Assembly resolution A.1014 (26):

- * £600,329 to the Headquarters Capital Fund;
- * £4,502,467 to the Technical Co-operation Fund; and
- * £90,049 to the Training & Development Fund.

5 The level of funds invested in short-term deposits at the end of each month for the respective Funds is shown in the annex to this document, which also shows the interest earned in their favour during 2011. Total investments as at 31 December 2011 amounted to £25,771,309.

6 The bank base interest rate was maintained at 0.50 per cent throughout the year and the rates offered for the short-term deposits were often lower than the base rate. In addition, the Organization places unused cash balances, which are not available to deposit for at least one month, into its Business Premium Account, where the average interest rate paid during 2011 was 0.05 per cent, representing no change compared to the 2010 average.

7 The chart below sets out the interest earned by the General, Headquarters Capital, Trading, Technical Co-operation, Termination Benefit and Training and Development Funds for the last five years.



[1] The General Fund balance includes interest received on investments held on behalf of the Working Capital Fund and interest due to Member States through the Contributions Incentive Scheme. It does not include interest received by the General Fund on investments held by certain donor funds under the terms of the agreements with donors.

8 The Contributions Incentive Scheme, which commenced in 1988, provides for interest earnings on contributions to be returned to Member States in proportion to the timing of payment of their contributions each year. The interest earned on contributions receipts during 2011, of £53,727, will be available for distribution in the year 2013 and will be dependent on the availability of a cash surplus in the General Fund as at 31 December 2012.

Action requested of the Council

9 The Council is invited to take note of the information contained in this document.

ANNEX

TOTAL AMOUNT INVESTED IN 2011

	General Fund*	Headquarters Capital Fund	Trading Fund	Technical Co-operation Fund	Termination Benefit Fund	Training & Development Fund	Total
2011	£	£	£	£	£	£	£
31 January	6,548,867	2,748,471	8,104,128	2,819,590	2,687,601	283,720	23,192,377
28 February	14,839,403	2,059,980	8,777,725	3,355,682	2,444,118	283,818	31,760,726
31 March	13,058,257	2,440,511	10,051,118	3,357,171	2,689,688	283,946	31,880,691
30 April	13,062,516	2,061,540	8,788,226	3,358,187	2,445,954	284,034	30,000,457
31 May	18,765,965	1,747,805	8,970,476	3,003,899	2,443,407	275,986	35,207,538
30 June	18,397,637	1,748,622	10,976,047	3,005,283	2,434,538	276,116	36,838,243
31 July	15,988,520	1,748,622	10,990,555	1,418,126	2,444,537	276,116	32,866,476
31 August	13,425,225	1,748,622	11,592,483	2,568,141	2,434,538	276,116	32,045,125
30 September	11,853,319	2,292,220	5,655,139	6,775,922	3,061,436	334,963	29,972,999
31 October	10,341,636	2,292,220	6,246,475	5,625,366	3,061,436	334,963	27,902,096
30 November	8,097,524	2,126,949	6,237,605	5,625,366	2,441,218	334,963	24,863,625
31 December	6,850,206	2,235,979	8,856,004	5,009,772	2,523,099	296,249	25,771,309
Interest Earnings 2011	87,342	13,708	51,841	38,027	17,810	1,854	210,582

* The General Fund maintains all investments in respect of the regular budget and the Working Capital Fund.