

Board Meeting  
November 13, 2014

## AMEND DERIVATIVES USE POLICY

Action: Amend Derivatives Use Policy

Funding: No New Funding Required

The Derivatives Use Policy (“Policy”) was originally approved by the Board of Trustees at its July 2010 meeting. The Policy provided a University-wide framework for the use of derivative financial products to hedge certain financial risks. The policy is designed to ensure that derivatives are used appropriately and do not expose the University to undue risks. All forms of speculation are forbidden. The Policy prescribes:

1. The types of derivatives instruments which may be used;
2. The specific purposes for using derivative products;
3. Counterparty risk exposure, and
4. Documentation and regular reporting requirements.

The Vice President/Chief Financial Officer and Comptroller, after internal review, recommends that the Policy be amended to: (i) include modest terminology corrections, (ii) require ratings on counterparties from either Standard & Poor’s or Moody’s, (iii) include a definition of acceptable collateral, (iv) grant authority to the Vice

President/Chief Financial Officer and Comptroller to make exceptions to counterparty qualifications, and (v) increase documentation requirements.

The Board actions recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.