RBC Global Asset Management

Best Practices for Today's Corporate Cash Investor

JULY 2026

- Effective treasury cash management requires more than tactical decision-making; it demands a disciplined investment framework grounded in robust tools, clear governance, and well-defined practices.
- A structured approach enables treasurers to balance liquidity, capital preservation, and yield objectives while maintaining compliance with policy constraints and evolving market conditions.
- Without this foundation, treasurers lack the structure to make consistent decisions across changing market conditions, exposing the organization to operational risk and suboptimal returns.

This overview identifies best practices for developing and maintaining effective investment programs, organized into a five-part framework for practical application (see Figure 1 for the key elements). A cohesive application of these elements supports consistent decision-making aligned with the organization's liquidity needs and investment policy objectives.

Figure 1: A framework for effective investment program development

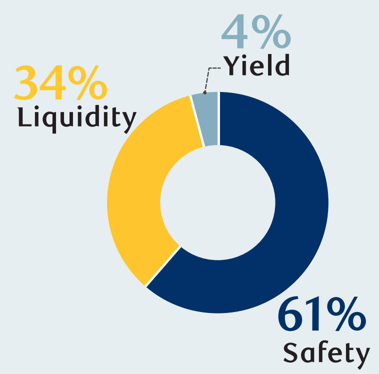
- I — Define your liquidity parameters
- II — Develop a robust investment policy
- III — Identify potential risks
- IV — Design and implement your strategy
- V — Manage daily operations and essential controls

2026 INDUSTRY SNAPSHOT:

- **24%** of organizations expect cash balances to increase in Q2-Q3 2026
- **62%** expect balances to remain stable
- **24%** are considering changes to investment policies
- **5%** are adding money market ETFs to approved vehicles

Organizations continue to prioritize liquidity and safety over yield, with 95% combining these as their top two objectives.

What organizations find most important



Source: 2026 AFP Liquidity Survey Report

I. Define your liquidity parameters

The first step in constructing an investment program is to segment your balance sheet cash by its investment horizon and functional purpose; daily operating balances, short-term/primary liquidity needs, medium-term/secondary liquidity needs, and longer-term core reserves. Segmenting cash in this manner provides clarity on available resources while establishing appropriate investment timeframes.

According to the **2026 AFP Liquidity Survey**, a majority of organizations (62%) with written investment policies formally separate daily operating balances from other cash holdings.

The objective of each segment should be carefully evaluated and clearly defined. For example, your daily operational balance segment would prioritize immediate accessibility and capital preservation, while longer-term reserves could accommodate extended maturities and yield-seeking strategies within policy constraints.

A disciplined framework not only reduces the risk of liquidity mismatches but also enhances portfolio efficiency and ensures funds are available when needed without compromising return potential.

II. Develop a robust investment policy

A written investment policy is essential because it establishes a consistent framework for decision-making that aligns investment activities with organizational objectives, risk tolerance, and liquidity needs. It promotes discipline across the organization by defining permissible investments, risk limits, and governance structures, helping to reduce ad hoc or reactive decisions. Equally important, it enhances transparency and accountability by providing a documented basis for oversight, performance evaluation, and regulatory or audit reviews. Tailoring an investment policy is a dynamic process that evolves with a corporation's life cycle and business needs.

THE IMPORTANCE OF A WRITTEN INVESTMENT POLICY

According to the 2026 AFP Liquidity Survey Report:

- 75% of organizations have a written cash investment policy
- 83% of those with policies review them regularly
- 65% of those review their policies at least annually

Key take-away: 25% of survey respondents do not have a written investment policy!

Source: 2026 AFP Liquidity Survey Report

Key considerations for your investment policy

1 Investment parameters
- Objectives
- Liquidity
- Suitability
- Risk Tolerance
- Global cash famework

2 Permissible investments
- Asset/security type
- Credit quality
- Maturity
- Domicile of cash
- Currency

3 Risk management
- Portfolio restrictions
- Interest rate risk
- Concentration risk
- Operational risk

4 Corporate governance
- Accounting tax considerations
- Compliance
- Reporting structure
- Investment controls

Tailoring an investment policy is a dynamic process that evolves with a corporation's life cycle and business needs

1. **Investment parameters** – An effective investment policy begins by defining clear objectives alongside liquidity requirements, suitability, and risk tolerance. These elements should be grounded in the organizations' cash segmentation framework to ensure investments align with operational needs and time horizons.

2. **Permissible investments** – The policy should specify eligible asset classes and security types, along with minimum credit quality thresholds, maturity limits, and any constraints related to currency exposure or cash domicile. This provides clarity while preventing unintended risk-taking.

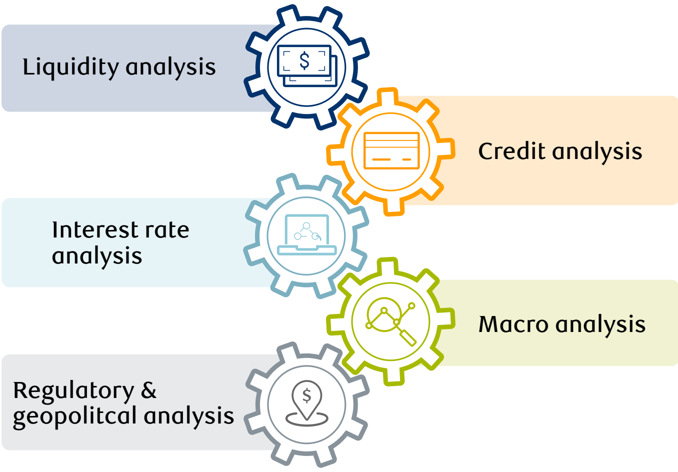
3. **Risk management** – A comprehensive risk management approach should be embedded throughout the investment policy and include explicit portfolio restrictions and guidelines addressing interest rate sensitivity, issuer and sector concentration limits, and operational risks.

4. **Corporate governance** – Sound corporate governance requires investment policies that integrate accounting and tax considerations, establish compliance protocols, and specify reporting requirements. Defined investment controls provide accountability mechanisms and reinforce adherence to policy objectives throughout the organization.

III. Risk Identification and Management

Managing risk within treasury investment programs requires a systematic approach across several dimensions: liquidity, credit, interest rate, macroeconomic, and regulatory/geopolitical. Examining these risks both individually and as interconnected elements enables treasurers to anticipate potential issues while informing portfolio construction and ongoing monitoring.

Essentials of investment management



Liquidity risk – Ensure cash availability for operational needs by aligning investment maturities with forecasted cash flows and maintaining adequate buffers in highly liquid securities. Regular cash flow forecasting and stress testing help to confirm resilience under diverse conditions.

Credit risk – Reduce the potential for principal loss due to issuer downgrade or default through minimum credit quality standards (investment grade ratings), issuer and sector diversification with defined concentration limits, and fundamental analysis of underlying credit quality. Establish monitoring protocols with clear trigger points – such as downgrade watches or deteriorating financial metrics – to enable proactive adjustments. Conduct periodic stress testing of credit concentration to assess portfolio resilience during market stress events.

Interest rate risk – Calibrate duration and maturity profiles relative to the yield curve and policy objectives to mitigate interest rate risk. Assess how your portfolio responds to rate changes across different maturity segments, recognizing that short-term and long-term rates do not always move in tandem. For shorter-duration portfolios, monitor reinvestment risk as maturing positions roll into lower-yielding environments. Active monitoring and periodic scenario analysis enable adjustments as rate expectations and market conditions fluctuate.

Macroeconomic risk – Monitor key economic indicators including inflation trends, employment data, growth forecasts, and Federal Reserve policy signals – factors that drive asset valuations and market dynamics. Conduct quarterly scenario analysis considering outcomes such as higher-for-longer rates, recession, or stagflation. Maintain portfolio flexibility through diversified maturity ladders, allocation ranges that allow tactical positioning, and sufficient liquidity reserves. Define escalation criteria that require strategy reviews when key indicators diverge materially from policy assumptions.

Regulatory and geopolitical risk – Evaluate emerging regulatory, policy, and geopolitical conditions and their potential impact on market stability. Maintain portfolio flexibility to adjust positioning in response to material shifts in these environments.

Combined, these elements form a cohesive policy foundation that enables consistent decision making across market environments while maintaining alignment with policy objectives.

IV. Strategy design and implementation

The final step is to translate the investment policy framework and risk parameters into actionable investment strategy and portfolio construction.

The investment strategy design should align with the organization's strengths as there are several options available to treasurers, each varying in cost and complexity. An assessment of internal capabilities such as team knowledge and expertise, technological resources, and internal supports will help determine the most appropriate model.

Investment Approach and Resource Requirements
Corporate treasuries can take varied approaches toward implementing their investment programs, each with distinct operational and resource implications. Understanding these differences can help organizations align investment objectives with operational capacity and strategic priorities.

Bank accounts and money market funds represent foundational investment vehicles. These options minimize operational complexity through straightforward daily operations and readily available automation capabilities. This simplicity makes them accessible for organizations with limited treasury infrastructure or those prioritizing operational efficiency over portfolio customization.

External portfolios managed by institutional asset managers introduce moderate complexity through the addition of custody, accounting, reporting, and oversight functions. Delegating portfolio management to external managers reduces internal trading and research burden but requires operational processes to monitor manager performance, reconcile holdings, and ensure compliance with investment guidelines. When evaluating external managers, prioritize those operating under fiduciary standards with demonstrated investment expertise and robust compliance frameworks.

Internal portfolios executed through broker-dealers demand the most substantial resource commitment, requiring in-house capabilities in technology systems, efficient trade execution, credit research, and risk management. This structure provides maximum control and customization but necessitates dedicated treasury staff with sophisticated analytical skills and reliable operational infrastructure.

Organizations should align their investment approach with available treasury resources and technical capabilities. Many organizations operate across multiple approaches; for example, using money market funds for core liquidity, maintaining a smaller internal portfolio for tactical positioning, and hiring external managers for credit research and macroeconomic expertise. Misalignment of approach and capability can create operational risk and inefficiency. Conversely, underutilizing available capabilities by restricting activities to simpler structures may forgo portfolio optimization opportunities.

Investment complexity impacts treasury resources

Factors driving complexity and cost:

- Daily operations
- Automation

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- Custody
- Accounting
- Reporting
- Oversight

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- Technology systems
- Trade execution
- Credit research
- Risk management

V. Daily operations and monitoring

Regardless of structure, all investment programs must adhere to a disciplined and ongoing monitoring framework to ensure portfolios remain aligned with policy guidelines and organizational objectives. Portfolio positioning, risk concentrations, liquidity profiles, and performance relative to both benchmark and policy objectives must be tracked via procedures that have been agreed upon by all stakeholders.

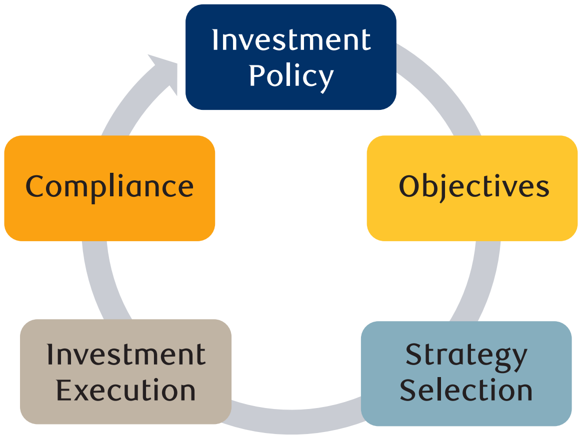
Reporting should be tailored to the different stakeholders: detailed and operational for treasury management; more strategic and performance-focused for senior management; and high-level with an emphasis on risk, governance, and compliance for the board of directors and audit committee. This multi-layered structure helps ensure that the investment program remains aligned with corporate objectives, risk tolerance, and fiduciary responsibilities, while also providing appropriate checks and balances.

The monitoring process itself should be comprehensive and well-integrated, encompassing formal compliance verification, structured internal reporting, ongoing evaluation of external investment partners, and alignment with financial reporting requirements. By embedding these elements into a cohesive framework, organizations can ensure that the investment program is operating as intended across changing market conditions.

Conclusion

All investment programs function as continuous cycles, where each aspect informs and reinforces the next. The cycle begins with a well-defined investment policy, which establishes the foundation for setting clear objectives that align with organizational priorities and risk tolerance. These objectives guide strategy selection and investment execution, which must be consistently measured against established compliance standards.

Investment programs require a continuously monitored cycle



Ongoing monitoring across policy, objectives, strategy, execution, and compliance is essential as changes in any one of these may necessitate adjustments elsewhere in the cycle. This integrated approach enables treasurers to balance liquidity, capital preservation, and yield objectives while maintaining compliance and adaptability in evolving market conditions, ultimately supporting prudent stewardship of organizational assets.

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062626_WHITEPAPER_LIQUIDITY_BEST PRACTICES CORP_V5 07/08/2026