

## APPENDIX B: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	* Minimum credit criteria / colour band	** Max % of total investments/ £ limit per institution	Max. maturity period
<b>DMADF – UK Government</b>	N/A	<b>100%</b>	<b>6 months</b>
UK Government gilts	UK sovereign rating		2 years
UK Government Treasury bills	UK sovereign rating		2 years
Bonds issued by multilateral development banks	UK sovereign rating		6 months
Money market funds	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	2 years
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 2 years Up to 2 years Up to 2 years Up to 1 year Up to 6 Months Up to 100 days Top 5 Building societies only

CDs or corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 2 years Up to 2 years Up to 2 years Up to 1 year Up to 6 Months Up to 100 days Top 5 Building
Corporate bond funds			
Gilt funds	UK sovereign rating		
Property funds			

## ENGLISH LOCAL AUTHORITIES

### SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Capita Green Rating	In-house

### Term deposits with nationalised banks and banks and building societies

	* Minimum Credit Criteria	Use
UK part nationalised banks	Capita Blue Rating	In-house
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating AA+	In-house

Collateralised deposit (see note 2)	UK sovereign rating	In-house
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	In-house

UK Government Gilts	UK sovereign rating	In-house buy and hold
Bonds issued by multilateral development banks	AAA	In-house buy and hold
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)	UK sovereign rating	In-house buy and hold
Sovereign bond issues (other than the UK govt)	AAA	In-house buy and hold
Treasury Bills	UK sovereign rating	In house

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	Capita Yellow Rating	In-house
2. Money Market Funds	Capita Yellow Rating	In-house
3. Enhanced Money Market Funds with a credit score of 1.25	Capita Dark Pink Rating	In-house
4. Enhanced Money Market Funds with a credit score of 1.5	Capita Light Pink Rating	In-house
5. Bond Funds	AAA	In-house
6. Gilt Funds	AAA	In-house

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**NON-SPECIFIED INVESTMENTS** A maximum of 25% will be held in aggregate in non-specified investment

## 1. Maturities of ANY period

	* Minimum Credit Criteria	Use
<b>Fixed term deposits with variable rate and variable maturities:</b> -Structured deposits	Capita Green Rating	In-house
Term deposits with unrated counterparties : any maturity	Top five Building Societies based on a combination of Asset size and Man Exp	In-house
Commercial paper issuance covered by a specific UK Government (explicit) guarantee	UK sovereign rating	In-house
Commercial paper other		In-house
Corporate bonds	* Short-term __, Long-term __, Viability __, Support __	In-house
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	UK sovereign rating	In-house
Property fund: <b><i>the use of these investments would constitute capital expenditure</i></b>	--	In house

## 2. Maturities in excess of 1 year

	* Minimum Credit Criteria	Use	Max. maturity period
Term deposits – local authorities	--	In-house	2 yrs
Term deposits – banks and building societies	Capita Blue Rating	In-house	2 yrs
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	In-house	2yrs
Certificates of deposit issued by banks and building societies	Capita Blue Rating	In-house	2 yrs

UK Government Gilts	UK sovereign rating	In-house	2 yrs
Bonds issued by multilateral development banks	AAA	In-house	2 yrs
Sovereign bond issues (other than the UK govt)	AAA	In-house	2 yrs
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>			
1. Bond funds	AAA	In-house	2 yrs
2. Gilt funds	AAA	In-house	2 yrs