

APPENDIX A

SPECIFIED INVESTMENTS

(All investments listed below must be sterling-denominated with maturities up to a maximum of 364 days

Meeting the minimum 'high' rating criteria where applicable)

	Minimum 'high Credit Criteria	Use
Debt Management Agency Deposit Facility * (DMADF)	Govt-backed	In House
Term deposits – local authorities	High Security although LAs not credit rated.	In House & Fund Manager (if appointed)
Term deposits with credit-rated deposit takers – banks and building societies (inc. 100%, or 51%nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009)	Sovereign Rating AAA/AA+ Long Term A Short-term F1, Individual - B/C, Support 1,2, 3	In House & Fund Manager (if appointed)
Fixed Term deposits with credit-rated deposit takers – banks and building societies (inc. 100%, or 51%+ nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009) with variable rates and variable maturities – including callable deposits,	Sovereign Rating AAA/AA+ Long Term A Short-term F1, Individual - B/C, Support 1,2, 3	In House & Fund Manager (if appointed)
Certificates of deposit issued by banks and building societies (inc. 100%, or 51%+ nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009	Sovereign Rating AAA/AA+ Long Term A Short-term F1, Individual - B/C, Support 1,2, 3	In House & Fund Manager (if appointed)

	Minimum 'high Credit Criteria	Use
UK Government Gilts	Sovereign Rating AAA/AA+ AAA - Govt-backed	In house buy and hold basis & Fund Manager (if appointed)
Bonds issued by multilateral development banks	Sovereign Rating AAA/AA+ Long Term AAA	In House buy and hold basis & Fund Manager (if appointed)
Bonds issued by a financial institution guaranteed by the UK government	Sovereign Rating AAA/AA+ Long Term AAA	In House buy and hold basis & Fund Manager (if appointed)
Sovereign bond issues (i.e. other than the UK government)	Sovereign Rating AAA/AA+ Long Term AAA	In House buy and hold basis & Fund Manager (if appointed)
Forward Deposits - with credit rated banks and building societies -(inc. 100%, or 51%+ nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009) forward period plus deal period must not exceed 1 year , further to consultation with treasury advisers	Sovereign Rating AAA/AA+ Long Term A Short-term F1, Individual - B/C, Support 1,2,3	In House)
Treasury Bills	Sovereign Rating AAA/AA+ Long Term AAA	Fund Manager (if appointed)
Collective investment schemes structured as Open Ended Investment companies:-		

	Minimum 'high Credit Criteria	Use
1. Bond funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager (if appointed)
2. Gilt Funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager (if appointed)
3. Money Market Funds	Sovereign Rating AAA/AA+ Long Term AAA Constant Net Asset Value Minimum Fund Value £1bn	In house and Fund Manager (if appointed)
4. Enhanced Cash Funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager (if appointed)

*** Open-ended funds continually create new units (or shares) to accommodate new monies as they flow into the funds and trade at constant net asset value (CNAV).

Monitoring of credit ratings:

All credit ratings will be monitored daily. If a counter-party or investment scheme is downgraded with the result that it no longer meets the Council's minimum credit criteria, the use of that counter-party/investment scheme will be withdrawn. A downgrading may result in a counterparty only slipping to a lower level of acceptable criteria, rather than completely outside the Council's criteria, in this case they will take on the exposure and maturity limits of that lower level.

The Council will establish with its fund managers (if used) the frequency of their monitoring of credit ratings so as to be satisfied as to their stringency and regularity.

NON-SPECIFIED INVESTMENTS –maturities in excess of 1 year

All investments listed below must be sterling-denominated.

Investment	Minimum 'high Credit Criteria	Use	Max % of total investments	Maximum maturity period
Term deposits local authorities	High Security although LAs not credit rated.	In House	40%	5 years
Term deposits with credit-rated deposit takers – banks - (inc. 100%, or 51%+ nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009)	Sovereign Rating- AAA/ AA+ Long-term A, Short term F1 Individual B/C, Support 1,2,3	In House	40%	5 years
Fixed Term Deposits with credit rated deposit takers - banks and building societies - (inc. 100%, or 51%+ nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009) with variable rates and variable maturities – including callable deposits	Sovereign Rating- AAA/ AA+ Long-term A, Short term F1 Individual B/C, Support 1,2,3	In House and Fund Manager (if appointed)	40%	5 years
Certificates of Deposit issued by banks and building societies (inc. 100%, or 51%+ nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009)	Sovereign Rating- AAA/ AA+ Long-term A, Short term F1 Individual B/C, Support 1,2,3	In House buy & hold basis Fund Manager (if appointed)	5% 100%	Suggested limit: 5 years

Investment	Minimum 'high Credit Criteria	Use	Max % of total investments	Maximum maturity period
UK Government Gilts: with maturities in excess of 1 year- in house buy and hold to maturity further to consultation with Treasury Management advisers	AAA- Govt-backed	In House buy and hold basis Fund Manager (if appointed)	5% 15%	Suggested maturity limit: 10 years including but also including the 10 year benchmark gilt
Sovereign bond issues exc UK govt gilts: in house buy and hold to maturity further to consultation with Treasury Management advisers	AAA	In House & Fund Manager (if appointed)	5%	10 years
Bonds issued by multilateral development banks-	AAA	In House buy & hold basis & Fund Manager (if appointed)	30%	Suggested limit: 10 years
Bonds issued by a financial institution which is guaranteed by the UK Government-	AAA- Govt-backed	In House buy & hold basis & Fund Manager (if appointed)	30%	Suggested limit: 10 years

Investment	Minimum 'high Credit Criteria	Use	Max % of total investments	Maximum maturity period
Floating Rate Notes (Bonds where the coupon is re-set 3 monthly) the use of these investments would constitute capital expenditure	Long Term A	Fund Manager (if appointed)	5%	5 years
Corporate Bonds Bonds other than sovereign bonds the use of these investments would constitute capital expenditure	Long Term A	Fund Manager (if appointed)	5%	5 years
Forward Deposits with credit rated banks and building societies (inc. 100%, or 51%+ nationalised banks & institutions supported by the UK Govt guarantee scheme announced 8 October 2009) - for periods greater than 1 year-further to consultation with Treasury Management advisers	Long Term A	In House	10%	5 years

INSTRUMENTS NOT CONSIDERED BY THIS COUNCIL AS PRUDENT INVESTMENTS FOR ITS SURPLUS TREASURY FUNDS

Investment
Equities
Deposits with un-rated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution: any maturity
Un-rated deposit takers (banks and building societies) which do not have an unconditional guarantee: any maturity
Open Ended Investment Companies (OEICS) – those which are equity based.
Derivatives

The prohibition on the use of derivatives: This prohibition effectively relies on the judgement of the House of Lords in the case of *Hazell v The Council of the London Borough of Hammersmith and Fulham and Others* in 1991. Their Lordships held that local authorities have no power to enter into interest rate swaps and similar instruments.

Sector believe that as this ruling still stands and will not be rescinded by the introduction of the Local Government Act 2003, local authorities will not have the power to use derivative instruments.