

APPENDIX A

SPECIFIED INVESTMENTS – maturities up to 364 days

	Minimum 'high Credit Criteria	Use
Debt Management Agency Deposit Facility (DMADF)	Govt-backed	In House (only as last resort)
Term deposits – local authorities	High Security although LAs not credit rated.	In House & Fund Manager
Term Deposits with banks and building societies	Sovereign Rating AAA/AA+ Sector Colour Code Green	In House & Fund Manager
Certificates of deposit issued by banks and building societies	Sovereign Rating AAA/AA+ Sector Colour Code Green	In House & Fund Manager
UK Government Gilts	Sovereign Rating AAA/AA+	In House buy and hold& Fund Manager
Bonds Issued by multilateral development banks	AAA	In House buy and hold& Fund Manager
Bonds issued by financial institutions explicitly guaranteed by UK Government – Guaranteed Export Finance Corporation	Sovereign Rating AAA/AA+	In House buy and hold& Fund Manager
Collateralised Deposits	Sovereign Rating AAA/AA+	In House & Fund Manager
Sovereign bond issues - other than UK govt	AAA	In House buy and hold& Fund Manager
Treasury Bills	Sovereign Rating AAA/AA+	In House and Fund Manager

- E+ - Only usable where the bank is part of a larger group who have much stronger financial strength for example Banco Santander incorporating Abbey & Alliance & Leicester

Term deposits with nationalised/part nationalised banks and building societies.

	Minimum 'high Credit Criteria	Use	Max % of total investments	Maximum maturity period
Nationalised or Government guarantee (explicit) on ALL deposits by high credit rated (sovereign rating) countries	Sovereign rating AAA/A+	In House & Fund Manager	100% Max - 25% Each institution	Specified - 364 days Non Specified - 5 years

Still applicable for Certificates of deposit

** Nationalised or Banks supported by UK Government guarantee scheme:-

Abbey	HSBC
Barclays	Nationwide Building Society
HBOS	RBS
Lloyds TSB	Standard Chartered

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
2. Gilt Funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager
3. Money Market Funds	Sovereign Rating AAA/AA+ Long Term AAA Constant Net Asset Value Minimum Fund Value £1bn	In house and Fund Manager
4. Enhanced Cash Funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager
4. Government Liquidity funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager

Credit Rating Components

Long Term Rating

These generally cover maturities of between 1 and 5 years and assess the ongoing stability of the institution's prospective financial condition, addressing the possibility that a financial obligation will not be honoured

FITCH	A)	
Moodys	Aaa3)	Strong capacity to meet all long term financial
Standard & Poors	A)	commitments

Short Term Rating

These generally cover maturities of up to 13 months and place greater emphasis on the liquidity necessary to meet financial commitments.

FITCH	F1)	
Moodys	P-1)	Strong capacity to meet all short term financial
Standard & Poors	A-1)	commitments

Individual Rating/Financial Strength

These are an assessment of an institutions intrinsic safety and soundness on a standalone basis, and also provide an assessment of the institutions financial structure , its performance and credit (risk) profile

FITCH	A)	Good banks operating within a stable
Moodys	B/C)	environment
Standard & Poors			Do not produce this type of assessment

Support Rating

This is a view as to the likely presence of a lender of last resort, either government or parent, with the willingness and the resources to aid a failing institution.

FITCH	2		High probability of financial support
Moodys			Do not produce this type of assessment
Standard & Poors			Do not produce this type of assessment

NON-SPECIFIED INVESTMENTS – ANY period

All investments listed below must be sterling-denominated.

Investment	Minimum 'high Credit Criteria	Use	Max % of total investments	Maximum maturity period
Fixed Term deposits - Structured Deposits with variable rates and variable maturities including callable deposits-	Sovereign Rating AAA/AA+	In House & Fund Manager	25%	4 years
Commercial Paper issuance by UK banks covered by UK Government (explicit)guarantee	Sovereign Rating AAA/AA+	In House	5%	364 days
Commercial Paper issuance by UK banks covered by UK Government (explicit)guarantee	Sovereign Rating AAA/AA+ FITCH/Moodys/S&P Long Term A/ Aaa3/ A Short-term F1/ P-1 /A-1 Individual B/C/ E+ Support 2	Fund Manager	5%	364 days
Commercial Paper other	Sovereign Rating AAA/AA+ FITCH/Moodys/S&P Long Term A/ Aaa3/ A Short-term F1/ P-1 /A-1 Individual B/C/ C+ Support 2	In House	5%	364 days
Floating Rate Notes the use of these investments would constitute capital expenditure unless issued by multilateral developmnt bank	Long Term A	Fund Manager	5%	5 years
Corporate Bonds the use of these investments would constitute capital expenditure	Sovereign Rating AAA/AA+ FITCH/Moodys/S&P Long Term A/ Aaa3/ A Short-term F1/ P-1 /A-1 Individual B/C/ C+ Support 2	In House & Fund Manager	5%	5 years
Other Debt issuance by UK banks covered by UK Government guarantee	Sovereign Rating AAA/AA+ FITCH/Moodys/SP Long Term A/Aaa3/A Short Term F1/P-1/A-1 Individual B/C/C+ Support 2	In House and Fund Manager	5%	5 years

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	25%	4 years
Term Deposits issued by banks and building societies	Sovereign Rating AAA/AA+ Sector Colour Code green	In House	25%	4 years
Certificates of deposit issued by banks, building societies covered by the explicit UK Government guarantee	Sovereign Rating AAA/AA+ FITCH/Moodys/S&P Long Term A/ Aaa3/ A Short-term F1/ P-1 /A-1 Individual B/C/ E+ Support 1	In House & fund Manager	25%	4 years
Certificates of deposit issued by banks, building societies	Sovereign Rating AAA/AA+ Sector colour code green	In House & fund Manager	25%	4 years
UK Government Gilts	UK Sovereign Rating	In House buy and hold basis Fund Manager	5% 15%	Suggested maturity limit: 10 years
Sovereign bond issues) ie other than the UK government)	AAA	In House & Fund Manager	5%	10 years
Bonds issued by multilateral development banks-	AAA	In House buy & hold basis & Fund Manager	25%	Suggested limit: 10 years

Collective investment schemes structured as Open Ended Investment companies:-

	Minimum 'high Credit Criteria	Use	Max % of total investments	Maximum maturity period
1. Bond funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager	5%	10 years
2. Gilt Funds	Sovereign Rating AAA/AA+ Long Term AAA	In house and Fund Manager	5%	10 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.