

APPENDIX D

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 which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

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

	Minimum credit criteria/ colour band	Maximum investment limit per institution	Maximum maturity period
DMADF – UK Government	Yellow	unlimited	6 months
UK Government gilts*	Yellow	£5m	1 year
UK Government Treasury bills*	Yellow	£5m	1 year
Money market funds – Constant Net Asset Value (CNAV)	AAA	£8m per fund^	Liquid
Money market funds – Low Volatility Net Asset Value (LVNAV)	AAA	£8m per fund^	Liquid
Money market funds – Variable Net Asset Value (VNAV)	AAA	£8m per fund^	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	£3m per fund	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	£3m per fund	Liquid
Local authorities	Yellow	£5m per authority	1 year
UK Banks	Orange Red Green	£5m	1 year 6 months 100 days

Part nationalised UK Banks	Blue	£8m	1 year
Non-UK Banks (with a Sovereign Rating of AA-)	Orange Red Green	£3m	1 year 6 months 100 days
Building Societies	Orange Red Green	£5m	Up to 1 year Up to 6 Months Up to 100 days

* UK Government gilts and treasury bills are rarely, if ever, used but are included in this list as a potential, high credit quality investment.

^ Approved limits were increased by Council on 9th April 2020 to allow more flexibility for investment of unusually large sums, in light of the COVID-19 Business Grant funding.

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	Maximum investment limit per institution	Maximum maturity period
Local authorities	n/a	£5m per authority	5 years
UK Banks	Yellow Purple	£5m	5 years 2 years
Non-UK Banks (with a Sovereign Rating of AA-)	Yellow Purple	£3m	5 years 2 years
Building Societies	P-2 (Moody's)	£5m	Up to 100 days
Property Funds	n/a	£1m	Minimum of 5 years
Council's own bank	n/a	£8m^	Overnight

^ Approved limits were increased by Council on 9th April 2020 to allow more flexibility for investment of unusually large sums, in light of the COVID-19 Business Grant funding.

The criteria in this appendix are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and/or restricted time limits

The Council will undertake investments for periods in excess of one year only when it has been clearly established that core funds are available, and that any funds invested will not be required during the term of the investment.

The Council's policy is not to invest with subsidiaries of counterparties where those subsidiaries do not have credit ratings in their own right, even where they have an unconditional guarantee from a parent.