

## Specified and Non-Specified Investments Categories

### 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

	<b>Minimum 'High' Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Coded: Orange on Sectors Matrix. Fitch's rating: Short-term F1+, Long- term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	Fitch's rating: Short- term F1+, Long-term AA-, Individual B, Support 2 or equivalent rating from Standard & Poors and Moodys	In-house buy and hold and Fund Managers
UK Government Gilts	Long term AAA	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	Long term AAA	In-house buy and hold and Fund Managers
Bonds issued by a financial institution which is guaranteed by the UK government	Long term AAA	In-house buy and hold and Fund Managers
Sovereign bond issues (i.e. other than the UK govt)	AAA	In-house buy and hold and Fund Managers
Treasury Bills	--	Fund Managers
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	Short-term F1, Long-term AAA Volatility rating	In-house and Fund Managers
2. Money Market Funds	Short-term F1, Long-term AAA Volatility rating	In-house and Fund Managers
.3. Enhanced cash funds	Short-term F1, Long-term AAA Volatility rating	In-house and Fund Managers
4. Bond Funds	Long-term AAA Volatility rating	In-house and Fund Managers

5. Gilt Funds	Long-term AAA Volatility rating	In-house and Fund Managers
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Since the credit crunch crisis there have been a number of developments that require separate consideration:

**Nationalised banks** in the UK have credit ratings, which do not conform to the credit criteria usually used by local authorities to identify banks, which are of high creditworthiness. In particular, as they no longer are separate institutions in their own right, it is impossible for Fitch to assign them an individual rating for their stand-alone financial strength. Accordingly, Fitch have assigned an F rating which means that at a historical point of time, this bank failed and is now owned by the Government. However, these institutions are now recipients of an F1+ short term rating as they effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. They also have a support rating of 1; in other words, on both counts, they have the highest ratings possible.

**UK banking system support package.** Please note that the UK Government has NOT given a blanket guarantee on all deposits but has underlined its determination to ensure the security of the UK banking system by supporting eight named banks with a £500bn support package. Therefore, this authority will authorise lending to those named banks on the basis of that implicit guarantee on local authority deposits placed with these eight banks up to a limit of 1 year. The eight Banks eligible for support under the UK bail-out package: Abbey, Barclays, HBOS, Lloyds TSB, HSBC, Nationwide Building Society, RBS, Standard Chartered

**Blanket guarantees on all deposits.** Some countries have supported their banking system by giving a blanket guarantee on ALL deposits e.g. Ireland and Singapore. The sovereign rating of those countries is considered to take precedence over the individual credit ratings for the banks covered by that guarantee, if the sovereign rating has a credit criteria of AAA. Currently this is not the case and no deposits are invested with Countries with blanket guarantees.

**Other Countries banking system support packages.** In addition, this authority does not rely on the implicit guarantee for the banking systems of other countries, like the UK banking support package. Sector Treasury Services, treasury management advisers, do not provide an information service on other countries support packages.

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK Government support to the banking sector	Sovereign rating	In-house and Fund Managers	100%	1 Year

**Points to Note:**

If **forward deposits** are to be made, the forward period plus the deal period should not exceed one year in aggregate.

N.B. **buy and hold** may also include sale at a financial year-end and repurchase the following day in order to accommodate the requirements of SORP.

**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, a review of the accounting implications of new transactions will be occur before they are undertaken.

#### **NON-SPECIFIED INVESTMENTS:**

A maximum of 100% can be held in aggregate in non-specified investment

##### 1. Maturities of ANY period

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
Term deposits – banks and building societies	Coded: red and green on Sectors Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's	In-house	100%	3-6 Months
Fixed term deposits with variable rate and variable maturities: -Structured deposits	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house	25%	1 Year
Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house buy and hold and Fund Managers	30%	1 Year
Commercial paper issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house and Fund Managers	30%	1 Year
Commercial paper other	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house	30%	1 Year
Corporate Bonds issued by UK banks covered by UK Government guarantee: the use of these investments would constitute capital expenditure	UK Government explicit guarantee	In-house and Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure

Corporate Bonds other: the use of these investments would constitute capital expenditure	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house and Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Other debt issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house and Fund Managers	30%	
Floating Rate Notes: the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank	Long-term AAA	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Property fund: the use of these investments would constitute capital expenditure	--	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure

## 2. Maturities in excess of 1 year

Term deposits – local authorities	--	In-house	10%	> 1 year
Term deposits – banks and building societies	Coded: Purple on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house	10%	> 1 year
Certificates of deposits issued by banks and building societies	Short-term F1+, Long-term AA-, Individual B, Support 2	In house and Fund Managers	10%	> 1 year
UK Government Gilts	AAA	In-house and Fund Managers	10%	> 1 year
Bonds issued by multilateral development banks	AAA	In-house and Fund Managers	10%	> 1 year
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house and Fund Managers	10%	> 1 year
Sovereign bond issues (i.e. other than the UK govt)	AAA	In-house and Fund Managers	10%	> 1 year