

Investment Counterparties (Last updated 12 June 2009)

Policies for the management of counterparty and credit risk are set out at Section 5 of the Schedule to TMP 1, approved by Council on 28 Feb 2009. The Council's approach to counterparties for 2009-10 is set out below:

The Chief Finance Officer (CFO) will use the recommendations of the Sector creditworthiness service to determine suitable counterparties and the maximum period of investment, using the colour ratings assigned by Sector.

The CFO will determine the maximum investment amount to be held with each type of counterparty assigned a colour rating by Sector.

In the context of the current economic and banking climate, the CFO will put in place further temporary restrictions as to the counterparties to be used for new investments.

Until such time as the CFO deems the stability of the banking sector to be sufficiently recovered, only counterparties meeting the following criteria will be used:

	Either:	
(1)	<p>Overseas counterparties having sovereign (country) ratings of AAA, and</p> <p>Rated by Sector as being suitable for maximum investment periods of 6 months or more (as adjusted by CDS data if available), and</p> <p>Not being under a negative rating watch, alert or outlook.</p>	Limits in force will be £5m and 3 months (92 days).
	Or:	
(2)	<p>UK banks or building societies supported by the UK banking system support package, and</p> <p>Rated by Sector as being suitable for maximum investment periods of 3 months or more (as adjusted by CDS data if available).</p>	Limits in force will be £10m and 3 months (92 days).
	Or;	
(3)	<p>UK nationalised or part nationalised banking institutions, and</p> <p>Assigned a colour rating by Sector.</p>	Limits in force will be £15m and 3 months (92 days).

Annex G

It should be noted that the inclusion of counterparties in the list does not necessarily mean that they will be in the market for investment deals at any one point in time.

For the purposes of setting limits, institutions within the same banking group will be treated as one counterparty.

Investments may also be placed with other local authorities and with the Government Debt Management Office (DMO). The limits for other local authorities will be £10m for periods of up to 364 days; for the DMO they will be £15m for periods of up to 364 days.

Deposits may be placed with the Council's own bankers, the Co-operative Bank plc. These will generally be for small amounts of up to £100k. However amounts of up to £5m may be placed for periods of up to a week for operational purposes should the need arise.

The Chief Financial Officer has discretion during the financial year to lift or increase the restrictions on the counterparty list and/or to adjust the associated lending limits on values and periods should it become necessary to enable the effective management of risk in relation to investments.