

## Appendix 1

### Investment Policy

The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it selects which counterparties the Council will choose rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits.

**Banks** – the Council will use banks which have at least the following Fitch, Moody's and Standard and Poors ratings (where rated):

Short Term – **F1**

Long Term – **A-**

Individual / Financial Strength – **C** (Fitch / Moody's only)

**Support – 3** (Fitch only)

**Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above. **Building Societies** – the Council will use the **top 25 Societies according to their assets**.

Money Market Funds – **AAA**

**UK Government** (including gilts and the DMO)

Local Authorities, Parish Councils etc

The time limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category	F1+ / AA-	P-1 / Aa3	A-1+ / AA-	£6m	3yrs
Middle Limit Category	F1 / A-	P-1 / A3	A-1+ / A-	£4m	2yrs
Lower Limit Category	Unrated top 25 Building Societies			£2m	364 days
Other Institution Limits	-	-	-	£6m	-

(The Upper and Middle Limit categories will include banks and building societies. The Lower Limit Category will just unrated building societies. The Other Institution Limit will be for other local authorities, the DMADF, Money Market Funds. These are all considered high quality names – although not always rated – and therefore will likely have the same limit as the Upper Category.)

Due to the current situation in the financial markets, further criteria have been applied as follows:-

1. No more than £12M will be lent to any one group.
2. No investments will be made in a Building Society without a Credit Rating in line with the above.
3. No new lending to overseas bank but money will be lent to their UK subsidiaries.
4. Money will only be lent on a short term basis, i.e. no more than one month.