Policy

TREASURY MANAGEMENT POLICY

Investment Policy & Liability Management Policy

TEAM:	Finance
RESPONSIBILITY:	Finance Manager
ADOPTED:	20 December 2023
REVIEW:	Every 3 years, or as required
CONSULTATION:	Consultation not required under S.102(5), Local Government Act 2002
RELATED DOCUMENTS:	Local Government Act 2002 Trusts Act 2019

1. Introduction

The Treasury Management Policy includes the Investment Policy and the Liability Management Policy. These policies are required under ss. 102(1), 104 & 105 of the Local Government Act 2002 ("the Act"). This policy details the specific measures in respect of all treasury activity to be undertaken by Ashburton District Council. The formalisation of such policies will enable treasury risks within Council to be prudently managed.

2. Policy Objectives

The objectives of Council's Treasury Management Policy are to ensure that:

1. Council's funds are safeguarded, and investments and borrowings selected are not detrimental to other areas of the Council's operations. This requires that policy guidance is established to define the investment and borrowing risks acceptable to Council.

2. Council's investment and borrowing activities satisfy the legislation controlling Council's ability to invest and borrow, and the prudent person concept as per the Trusts Act 2019

3. Council's investments, both in financial instruments and physical assets, are managed within acceptable risk constraints.so as to maximise the return, given the maturity profile chosen.

4. Council's borrowing is managed within acceptable risk constraints so as to minimise total borrowing costs given the maturity profile chosen.

5. Additions and disposals of investments are controlled to achieve the greatest benefit for Council while minimising risk.

6. The use of income and gains made by investments is applied per Council's revenue and financing policy.

7. Council is adequately informed of investments and borrowing by way of regular reporting.

8. Any investments or debt held by Council, that do not meet the criteria contained elsewhere in this document, are reviewed individually. Upon review, they are either disposed of or retained. Reasons for retention are recorded in writing and the investments or borrowing will be reviewed on a regular basis.

9. Council is able to meet its short and long-term borrowing obligations in an orderly manner as and when they fall due through appropriate liquidity and funding risk management.

10. Appropriate funding facilities are arranged, ensuring these are at market related margins utilising bank debt facilities and /or capital markets (including the LGFA) as appropriate.

11. Lender relationships are maintained and Council's general borrowing profile in the capital markets enables Council to fund itself appropriately at all times.

12. Council stays within its debt covenants contained in LGFA agreements and the Financial Strategy

3. Operations and Accountability

3.1 Duties and responsibilities

Duties and responsibilities under this policy are:

3.1.1 Full Council

- Approve the Treasury Management Policy
- Approve any hedging outside the parameters of the Treasury Management Policy
- Approve use of any risk management products not authorised by Treasury Management Policy
- Monitor Treasury performance through receipt of appropriate reporting.
- Approve overall borrowing limits on an annual basis through the Long-Term Plan/ Annual Plan process.
- Review the Treasury Management Policy every three years or on an "as required' basis.
- Monitor and review the ongoing Treasury performance of Council and compliance with the Treasury Management Policy parameters through receipt of regular reporting.

Treasury Management

3.1.2 Chief Executive/ Group Manager: Business Support

- In the absence of the Finance Manager, undertake all his/her duties as detailed in the Treasury Management Policy or delegate the duties as appropriate.

3.1.3 Group Manager: Business Support

- Organises all new or amended borrowing facilities which shall then be submitted to the CE for approval and then to the full Council for final approval.
- Reviews the Treasury Policy every three years or more regularly if required which shall then be submitted to the CE for approval and then to the full Council for final approval.
- Develops all interest rate risk management strategies in conjunction with the Finance manager.
- Determines in conjunction with the CE the level of future core debt is to be used for interest rate risk management purposes.
- Reports to the full Council and CE on overall treasury risk management issues on a regular basis.
- Manages the funding and liquidity activities of the Council in conjunction with the Finance Manager.
- Maintains lender relationships with the banks and the capital markets including the LGFA in conjunction with the Finance Manager..
- In the absence of the Finance Manager. undertakes all treasury transactions which will include but not be limited to the following:
- Monitors and reviews the ongoing treasury risk management performance of the Council to ensure compliance with the policy parameters.
- Checks external counterparty advice on treasury transactions to records generated internally by other staff.

3.1.4 Finance Manager

- In conjunction with the GM:Business Support makes decisions in respect to treasury management within the parameters of this policy.
- Report to Council on overall treasury activity on a regular basis.
- In conjunction with the GM:Business Support manages the bank lender and capital market relationships, providing financial information to lenders and negotiate new/amended borrowing facilities or methods for approval by the Council.
- In conjunction with the GM:Business Support manages the funding and liquidity activities of the Council
- Prepares all treasury reports with assistance from the Financial Accountant
- Execute treasury transactions
- Checks external counterparty advices on treasury transactions to records generated internally by other staff.
- Assists the GM:Business Support with the three yearly review of the Treasury Policy.

3.1.5 Financial Accountant

- Execute treasury transactions
- Assists the Finance Manager in the preparation of reports to Council
- Checks external counterparty advices on treasury transactions to records generated internally by other staff.

3.2 Controls and procedures

3.2.1 Daily Operations

Before investment decisions can be made, the Finance Manager should be aware of Council's immediate and short-term cash flow requirements, taking account of:

- regular identifiable payments, e.g. PAYE and other taxes, loan repayments, payroll expenditure, regional council levies

- regular identifiable revenue, e.g. rates, subsidies, interest receipts, annual fees and charges, and debtor and creditor cashflows

Some significant payments will not be identifiable until a few days prior to payment and therefore the Finance Manager needs to leave sufficient liquidity in Council's investment policy to allow for these. Working capital is to be a ratio of 2:1 against current liabilities. Close liaison with other Council departments is essential for stringent cash flow management.

Account must be taken on a regular basis of both working capital and investment funds to allow investment decisions to be made. Working capital funds need to be assessed more frequently than investment funds to allow Council to meet its financial commitments. Loan funds and sinking funds are of a more controlled nature, and management of these funds therefore also requires less frequent attention than the working capital fund.

To assist with daily operations the Finance Manager should have a good working relationship with Council's bank representative and also with Council's financial advisor. This will enable the Finance Manager to better evaluate investment opportunities.

3.2.2 Portfolio management

The Finance Manager needs to be aware of investment maturities in each portfolio for three reasons:

- To be aware of interest payment dates
- To ensure investments are actioned on maturity
- To determine whether maturing investments are required to meet cash outflows or are available for reinvestment

Each investment should be separately itemised along with the following details:

- Type of security and issuer
- Interest rate
- Commencement date
- Maturity date
- Type and amount of funds invested, e.g. Working capital or long-term funds
- Supporting documentation to evidence the transaction.

To assist this process, each investment should be numbered. A control account should be used, setting out the types of security and also the types of funds. This will provide a basis for a monthly reconciliation to the ledger and simplify the categorisation of investments held. Upon sale or maturity of each investment, details of the course of action taken should be noted, and where full or partial reinvestment is made, all details should be recorded on the maturing investment. A clear audit trail should be maintained, setting out in chronological order the various investments (by fund type) showing investment reference, amount and security type.

Matching maturities to cash flow requirements is an important part of portfolio management and the Finance Manager must be able to obtain funds when required. Working capital investments would typically be placed on deposit from call to 90 days. In managing the portfolio the Finance

Manager will need to continually monitor changes in market conditions. Timely reaction to changes in the market is an essential part of effective funds management.

3.2.3 Informed Decision Making

Two of the key factors in making sound investment decisions are having adequate information with respect to: the financial market; and the funding requirements and objectives of Council. It is important for staff involved in fund management to continually monitor financial markets. This can be done in a number of ways, including:

- Daily contact with financial institutions;
- Reviewing various publications ranging from the business section in the local paper, a metropolitan paper and the National Business Review, etc.
- Monitoring political statements and events in parliament,
- Reviewing Council reports and daily contact with senior staff
- Maintaining a close working relationship with Council's financial advisors.

4. Interest Rate and Borrowing Risk Management

4.1 Interest Rate Risk Management

The choice of a portfolio's maturity profile is the key to management of interest rate risk. Both debt and investments are subject to this risk. It is necessary to select the term of investments or debt depending on the volatility of the particular market as the longer the term of the transaction, the greater the effect of any movement in the underlying interest rate.

The use of risk management products should be considered when any sizeable, long term investment is made. Professional advice should be sought when using these products.

4.2 Authorised interest rate risk management instruments

The Finance Manager may use the following interest rate risk management instruments to manage the core debt of Council.

4.2.1 Forward rate agreements

An agreement between Council and a counterparty (usually a bank) protecting Council against a future adverse interest rate movement. Council and the counterparty agree to a notional future principal amount, the future interest rate, the date and the benchmark rate, which is listed on BKBM contained in the Reuters system.

A forward rate agreement (FRA) provides Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period. An FRA typically applies to a 3 month period, starting at some point within the next 12 months.

4.2.2 Interest rate swaps

An interest rate swap is an agreement between the Council and a counterparty (usually a bank) protecting Council against a future interest rate movement. Council pays a fixed interest rate and receives a floating interest rate. The parties agree to a notional principal amount, the future interest rate, the settlement dates and the benchmark floating rate, which is listed on BKBM contained on the Reuters system.

An interest rate swap provides Council with certainty as to its interest rate cost on an agreed principal for an agreed period. Floating rate sets are typically every 1 or 3 months over the life of the swap.

4.2.3 Forward start interest rate swaps

A forward start interest rate swap provides Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period, commencing at a future point in time. All other conditions are as with an interest rate swap.

4.2.4 Swaptions (options on swaps)

Swaptions provide Council with the right, but not the obligation, to enter into a fixed rate swap at a future point in time on an agreed principal amount for an agreed period. A swaption is an option on a swap and typically requires a premium to be paid.

4.2.5 Interest rate options

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right, but not the obligation to borrow (described as a cap) or invest (described as a floor) at a future date. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark floating rate which is listed on Bank Bill Benchmark (BKBM) contained on the Reuters system.

Interest rate options provide Council with worst case cover on its interest rate cost on an agreed principal amount for an agreed period. As for an interest rate swap, rate sets are typically at each 1 or 3 month date for the life of the option. A premium is payable for entering into an interest rate option.

4.2.6 Interest rate collar type structures but only in a ratio of 1:1

Interest rate collars involve the combined purchase (or sale) of a cap or a floor with the sale (or purchase) of another floor or cap.

These structures provide Council with certainty to its interest rate cost on an agreed principal amount for an agreed period, but at the same time to avoid the need to pay an upfront premium.

4.2.6 Fixed rate bonds

It is recognised that the issuance of Fixed Rate Bonds is an acceptable method of achieving compliance with the fixed rate hedging percentages.

5. Funding Risk Management

Council must ensure that it has sufficient funds available to meet its obligations as they fall due. Liquidity is improved by maintaining a diversified portfolio of debt and investment with varying degrees of liquidity and maturity dates. This is necessary to allow Council to access funds before maturity should the need arise and to prevent large amounts of debt falling due at the same time.

To avoid a concentration of debt maturity dates, where practicable no more than 40% of total debt can be refinanced in any rolling 12-month period.

6. Liquidity Risk Management

Council must maintain access to liquidity of not less than 110% of projected core debt. Liquidity can include committed bank facilities, bank cash and term deposits and fixed interest investments. Core debt is defined as that contained in the Long Term Plan/ Annual Plan or as otherwise determined by the Group Manager Business Support.

7. Counterparty Risk Management for Borrowing and Interest Rate Risk Management

The management of counterparty credit risk in relation to Council's borrowing and interest rate risk management activities has the objective of minimising financial loss through the default of a financial counterparty, usually a financial institution, due to the financial insolvency of the counterparty, the inability of the counterparty to perform due to country decree, or any other circumstance such as an adverse market event. The purpose of counterparty credit limits is to limit the loss that Council may incur if a counterparty was to default or be unable to meet its obligations.

Council's exposure to counterparty credit risk will be managed by entering into financial market transactions and funding arrangements with approved counterparties only. Approved counterparties are defined as follows:

- An approved counterparty must be a New Zealand Registered Bank or financial institution with a long term credit rating of 'A' or above by S&P Global Ratings, or the Moody's Investors Service or Fitch Ratings equivalents.
- The maximum exposure for any one counterparty is $20 million.

Exposures are calculated as follows:

Cash	100% of face value
Interest Rate Swaps/Caps/Collars	MTM + 5% of Face Value.

Mark to Market (MTM) is defined as positive if the position is 'in the money' for Council and nil if it is 'out of the money for Council.

8. Local Government Funding Agency

8.1 Investment

Despite anything else in this Policy the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- Obtain a return on the investment
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council

Because of this dual objective, the Council may invest in LGFA shares on the basis that the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required, in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

8.2 Liability Management

Despite anything else in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it consider necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required
- Subscribe for shares and uncalled capital in the LGFA
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

9. Borrowing Limits

9.1 Meeting Legislative Requirements

Council's debt management must meet all relevant legislative requirements.

The concept of the prudent person as described by the Trust Act 2019 must always be to the fore when considering risk. Ratepayers, in their own capacity, can make decisions on borrowings but may have different concerns regarding the types of debt Council takes on. Council is not an organisation whose function primarily is dealing in liability management.

Council officers and elected members have a duty to ensure that borrowings are undertaken as per the criteria set out in this policy.

9.2 Controls and Procedures for Borrowing

Internal controls and procedures for borrowing are to be clearly documented. These procedures are detailed in 3.2 above.

9.3 Management of borrowing

When entering into a borrowing transaction, factors such as the type of debt, term of the debt, its all-up cost (including any ancillary internal and external costs) and its compatibility with the existing debt portfolio shall be considered.

At various times it may be possible to refinance a debt in such a way as to reduce the total costs of the transaction. Any such refinancing must take into account the cost/benefit characteristics of the proposed transaction and how the transaction fits within the context of other sections of this policy.

Council will maintain an overdraft facility of at least $500,000 for day to day cash management purposes.

Council will consider both “interest only” and “principal and interest” repayment loans at the time of raising a loan. If “interest only” loans are raised a funding reserve will be set up to accumulate funds until principal repayments are required as per the applicable loan agreement.

Where possible, Council will secure borrowing against rates revenue in order to gain lower borrowing costs. Physical assets will only be pledged where:

- There is a direct relationship between the debt and the asset purchase/construction e.g. operating lease or project finance
- Council considers a pledge of physical assets to be more appropriate than a pledge of rates

9.4 Debt instruments

The following funding instruments and methods may be used to raise external debt:

- Committed bank facilities
- Uncommitted bank facilities
- Commercial Paper issued by Council or the LGFA
- Local Authority debt instruments issued by Council which include Fixed Rate Bonds and Floating Rate Notes.
- LGFA debt.

9.5 Long-term debt limits

Debt should be maintained within the following limits:

- Net interest costs to be less than 20% of total revenue
- Net interest costs to be less than 25% of total rates revenue

- Net debt shall not exceed 250% of total revenue.
- Available financial accommodation to external indebtedness to be greater than 110%

Refer to the Financial Strategy section of the Long-Term Plan 2024-34 for more information on Council's debt limits.

9.6 Fixed rate hedging percentages

Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0-2 years	40%	**100%**
2-4 years	20%	**80%**
4-8 years	**0%**	**60%**

Fixed rate hedging in excess of 8 years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

The fixed rate hedging percentages shall apply to the core debt of Council as detailed in the Long Term Plan/ Annual Plan or as otherwise amended by the Group Manager Business Support. However, if core debt is less than $15 million interest rate hedging is at the discretion of the Group Manager Business Support.

9.7 Debt repayment

Council will make provision for the repayment of debt over the life of the asset for which the loan has been raised, however it is not possible or practical in many circumstances to match the life of an asset with the underlying debt. This will be achieved either by making regular loan repayments or provision of sinking funds to be used to extinguish debt at a future time.

10. Other Forms of Investment

10.1 Investments in Property

A variety of legislation applies to the purchase, sale and use of property by local authorities including:

- Local Government Act 2002
- Public Works Act 1981
- Public Bodies Leases Act 1969
- Reserves Act 1977
- Residential Tenancy Act 1986
- Resource Management Act 1991

Investments in property fall into three classes:

10.1.1 Leased property
The types of assets Council invests in on a commercial basis currently include residential property, commercial property and farmland as well as a large number of commercial and residential properties which are leased via “Glasgow leases”.

At present the return on these investments is mixed. Glasgow lease properties have typically provided low returns (as little as 2% on some properties). Part of the reason for this is the restrictions faced by local authorities in leasing land. These restrictions mean Council may find it difficult to divest itself of these assets.

Council may seek professional advice before purchasing any land for other investment purposes.

10.1.2 Forestry
Investment in forestry has been the subject of investment planning within Council and adheres to this investment plan.

The key points of this are as follows:

- profit is to be maximised while minimising risks through management of the tree crop and selection of low-risk land for plantings.
- benefits of any new forestry projects to be measured using the “internal rate of return” method where the target rate of return = 10 year govt. bonds - inflation + risk.

10.1.3 Non-commercial properties
Council holds buildings (such as the Ashburton Art Gallery and Heritage Centre premises) for non-commercial purposes and as such does not seek a market return on them nor adequate provision for their eventual replacement. It also holds a number of units let to elderly persons in the district at a concessionary rate. Council has identified properties it holds for non-commercial purposes and a schedule of these is available.

10.2 Investments in community projects

From time to time groups within the community request loans, advances or guarantees for projects that will benefit the community. As these investments are with organisations Council would not normally invest with, Council needs to confirm the suitability of any loan application. Councillors should pay particular regard to the ability of the applicant to service the debt and repay principal. Council is responsible for authorising any such loans, advances or guarantees.

10.3 Share Investments

Council believes it may be appropriate to have limited investment in equity (shares) when investing for strategic or social reasons. Equity investments for strategic or social reasons will be approved by Council on a case by case basis.

11 Operations and Procedures for Treasury Transactions

Introduction

Arranging and agreeing transactions with external counterparties must occur within a framework of control and accuracy. It is vital to the internal control of the Council that all transactions are captured, recorded, reconciled and reported in a timely manner within a process that has the necessary checks and balances so that unintentional errors and/or fraud are identified early and clearly. Movements in financial market variables can be rapid and exposures to such movements that are not known due to inadequate transaction recording and reporting systems should not be allowed to occur.

11.1 Transaction Origination

The following authorities shall apply in respect of the execution of treasury transactions on behalf of the Council that may commit it to all the related contractual obligations under these transactions. All such transactions are generally originated and agreed either verbally via the telephone or by email. Therefore it is important that procedures are in place to control the activity.

Funding from Banks, the LGFA and the Capital Markets and Entering into Financial Market Investment Transactions

- Funding from bank facilities, the capital markets and the LGFA or entering into financial market investment transactions with an approved counterparty entails the personnel of the Council, who are authorised to undertake these activities, verbally or by email agreeing with the counterparty the amount, type of debt or investment instrument, term selection and rate accepted.
- Once the deal is agreed details of the transaction shall be entered on the relevant internal system.
- Once the confirmation of the transaction is received the details should then be checked by someone other than the person who entered into the transaction in the first place to ensure that the external confirmation is in accordance with the details on the Council's internal system.

Any discrepancies in the above procedures should be immediately communicated to the counterparty so that the correct details of the deal can be agreed. A report on the error shall be prepared by the person who transacted the deal in the first place and submitted to the CE for sign-off. Where the CE has transacted the deal, the report shall be submitted to the CSM. In this way there, is a clear division of responsibility and a self-checking system.

Interest Rate Derivative Products

Transacting interest rate derivative products with an approved counterparty entails the personnel of the Council who are authorised to undertake these activities, verbally or by email agreeing with the counterparty the amount, term selection and rate accepted.

- Once the deal is agreed details of the transaction shall be entered on the relevant internal system.
- Once the bank confirmation of the transaction is received, the details should be checked by someone other than the person who entered into the transaction in the first place to ensure that the bank confirmation is in accordance with the details on the internal system.

Any discrepancies in the above procedures should be immediately communicated to the counterparty so that the correct details of the deal can be agreed. A report on the error shall be prepared by the person who transacted the deal in the first place and submitted to the CE for sign-off. Where the CE has transacted the deal, the report shall be submitted to the CSM. In this way there, is a clear division of responsibility and a self-checking system.

11.2 Settlement Procedures

All transactions are to be confirmed and reconciled to external confirmations and internal documentation before settlement.

All transactions processed through the company bank accounts must conform to the Council's internal procedures and controls, and be reconciled to internal documentation and external confirmation(s).

12 Cash Management

The Finance Manager is responsible for day to day cash and short term debt management activities. Specifically, this will include the following:

- Ensure that appropriate cashflow projections are maintained, with the objective of managing an optimal cash position within approved parameters.
- Undertake short term borrowing functions as required, thus minimising overdraft costs.
- Ensure efficient cash management through improvements to the accuracy of forecasting.
- Minimise fees and bank charges by optimising bank accounts, facility structures and if applicable merchant service agreements.
- When operating as a net borrower, surplus funds will normally only be permitted to be invested on a short term basis, usually until the next opportunity to repay debt. However, exceptions to this may occur where it is prudent to do so, for example, the pre-funding of debt which is placed on term deposit until the funds are required.

13. Reporting

13.1

To ensure that the Treasury Management Policy is being adhered to, the Group Manager Business Support must keep abreast of significant changes in the market which could lead to an alteration in policy, strategy or the nature of investments or liabilities held. The Group Manager Business

Support is responsible to Council to ensure the policies are adhered to and should report to Council on a regular basis providing relevant details of the portfolio excluding property.

13.1 Borrowing

For the debt portfolio, the Finance Manager shall present a quarterly report to Council or the responsible Standing Committee which contains the following:

- Total debt facility utilisation, including any debt sourced from a bank, the capital markets and the LGFA
- Interest rate maturity profile against percentage hedging limits
- New hedging transactions completed – interest rate risk management
- Weighted average cost of funds
- Funding profile against the policy limits
- Liquidity profile against the policy limits
- Exception reporting as required
- Summary of any unresolved exception reports
- Statement of policy compliance

The Finance Manager will present a Quarterly Treasury report from Council's Treasury Advisor addressing ADC Treasury activity and performance in relation to:

- Liquidity, funding and hedging bands
- Interest rate risk management
- Funding
- LGFA borrowing rates.
- Investment profile

13.2 Financial Market Investments

The Finance Manager will submit a Quarterly summary report to Council or the responsible Standing Committee outlining:

- term of investments
- interest rates
- movements in portfolio
- any other appropriate measures contained in this policy.

13.3 Property Investments

For property investments, the Property Manager and District Forester will submit an annual property investment report to either Council or the responsible Standing Committee detailing:

- investments held (Commercial and Non-commercial)
- the rate of return received by investments (Commercial and Non-commercial)

- confirming adequate insurances are held where appropriate.
- movements in portfolio
- maintenance of assets has been carried out as per the relevant asset plan.
- revaluations have been carried out where applicable.

Appendix I – Authorised investment criteria for short term funds

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	• Government Stock • Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	• Commercial Paper • Bonds/Medium Term Notes(MTNs)/Fixed Rate Notes (FRNs)	Short term S&P rating of A-1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Local Authorities where rates are used as security	60%	• Commercial Paper • Bonds/MTNs/FRNs	Not Applicable	$2.0 million $2.0 million
New Zealand Registered Banks	100%	• Call/Deposits/Bank Bills/Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1+ Short term S&P rating of A-1 Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA – or better	$20.0 million per bank $7.5 million per bank $1.0 million $2.0 million $3.0 million $4.0 million
State Owned Enterprises	70%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million

Corporates	60%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA -or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Financials	30%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million

The combined holdings of corporates and financials shall not exceed 70% of the portfolio

The combined holdings of entities rated BBB and/or BBB+ shall not exceed 25% of the portfolio