Queen Mary
University of London

Treasury Management Policy

Contents

1. Introduction and Scope

1.1. The Treasury Management Policy forms part of the Financial Regulations of Queen Mary University of London (hereafter known as QMUL).

1.2. The University has adopted the CIPFA (Chartered Institute of Public Finance Accountancy) definition of Treasury Management: "The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."

2. Purpose

1.3. QMUL acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

3. Legislative context

3.1 All borrowings shall be in the name of QMUL and shall be compliant with the Office for Students (OfS) Terms and Conditions of funding and follow the Chartered Institute of Public Finance and Accountancy (CIPFA) "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes".

4. Scope

4.1 This policy covers both QMUL and all its subsidiary undertakings.

5. Principles

5.1 QMUL regards the successful identification, monitoring and control of risk as an important element in measuring the effectiveness of its treasury management activities. The overriding principle guiding the investment of surplus funds is to achieve a satisfactory return while reducing risk to a level acceptable to the Finance and Investment Committee.

6. Roles and responsibilities

6.1 In line with the University Delegation Framework, the Finance and Investment Committee approves the Treasury Management Policy on the recommendation of the Chief Financial Officer.

6.2 The Financial Accounting Section of the Finance Department administers the policy on behalf of the Finance and Investment Committee.

6.3 Finance and Investment Committee is responsible for the appointment of QMUL's Bankers and investment managers and advisers.

6.4 As set out in the Financial Regulations , the Chief Financial Officer is responsible for QMUL's Banking Arrangements, including opening and closing Bank Accounts, and making recommendations regarding the structure of the Bank Mandate.

6.5 All Bank Accounts shall be in the name of QMUL or one of its subsidiary companies. The Chief Financial Officer is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

6.6 As set out in the Financial Regulations, amendments to the structure of the Bank Mandate require approval of the Finance and Investment Committee, as witnessed by a signed copy of the minutes.

Treasury Management Objectives

7. Treasury Management Practices (TMPs)

7.1 CIPFA's Treasury Management Code Essentials lists twelve treasury management practices (TMPs), and all public sector organisations are expected to include those that are relevant to their treasury management powers.

7.2 They cover the following areas:

TMP1 - Risk management
TMP2 - Performance measurement
TMP3 - Decision-making and analysis
TMP4 - Approved instruments, methods and techniques
TMP5 - Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6 - Reporting requirements and management information arrangements
TMP7 - Budgeting, accounting and audit arrangements
TMP8 - Cash and cash flow management
TMP9 - Money laundering
TMP10 - Training and qualifications
TMP11 - Use of external service providers
TMP12 - Corporate governance

8. TMP1 - Risk management

8.1 The Chief Financial Officer will be responsible for the design, implementation and monitoring of all arrangements for the identification, management and control of treasury management risk. QMUL applies the SLY (Security, Liquidity, Yield) principles throughout all day to day treasury management activity. Security of funds invested is prioritised as a consideration above Liquidity considerations, which in turn take precedence above the Yield available from investments. The Chief Financial Officer will report to the Finance and Investment Committee any matters which may affect the achievement of treasury management objectives.

Credit and counterparty risk

8.2 The Chief Financial Officer has delegated authority to invest any surplus funds of the University in accordance with the terms agreed by Finance and Investment Committee. They are authorised to deposit or invest funds only with the approved organisations or parameters, and subject to the limits set out within this policy at Appendix B, as approved by the Finance and Investment Committee.

8.3 The Chief Financial Officer is responsible for monitoring the creditworthiness of approved counterparties, using appropriate external sources of information, including credit agency reports. Where the Chief Financial Officer believes a counterparty's credit standing is, or may be due to be downgraded, they should limit exposure below the approved limits where appropriate. Individual limits can only be exceeded with the prior consent of the Finance and Investment Committee.

Liquidity risk

8.4 The Chief Financial Officer is responsible for ensuring that QMUL has adequate cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have sufficient funds on a daily basis to cover any working capital needs and taking into account planned longer term capital investment and the funds associated with these. The University's financial strategy which is reviewed as part of the annual budget setting process sets minimum liquidity requirements based on a holistic review of the University's forward looking financial position, and taking into consideration average levels of operating expenditure commitments, plus capital expenditure commitments.

Interest rate risk

8.5 The Chief Financial Officer is responsible for monitoring, reporting and recommending QMUL's interest rate exposure strategy/approach to Finance and Investment Committee, and for ensuring that the effect of possible fluctuating interest rates has been incorporated into its annual budgets and cash flow forecasts. Whilst stability and certainty of costs will be prioritised, the University will aim to retain some flexibility to take advantage of unexpected and potentially advantageous changes to the interest rate environment.

8.6 Matters to be considered when establishing interest rate risk include:

- The current level and structure of interest rates
- Current interest rates compared with the historical level
- Estimates of future movements in the level and structure of interest rates
- The extent to which estimated future movements in interest rates would affect the revenue account
- The effect of estimated future movements in interest rates on the revenue account if all the loans were to be converted to floating rates
- The sensitivity of the revenue account to fluctuations in future interest rates compared with estimate.

Exchange rate risk

8.7 QMUL will retain funds in foreign currencies only to the extent that income received and payments made are due to be made in these currencies. No material contractual obligations can be entered into which involve foreign currencies without the prior permission of the Chief Financial Officer, who will assess any risk to QMUL.

8.8 Foreign currency dealings should be entered into only for the transaction of normal QMUL business, and unless pre-agreed by the Finance and Investment Committee in the remit to Investment Managers it is not permissible for foreign currency transactions to be entered into on a speculative basis.

Inflation risk

8.9 The Chief Financial Officer will be responsible for ensuring that the effects of inflation are taken into account when preparing the annual budgets and the projected cash flow forecasts.

Refinancing risk

8.10 The Chief Financial Officer will be responsible for ensuring that QMUL's borrowings and any other long term liabilities, are negotiated, structured and documented with a view to obtaining the best value for money to the organisation, which should be as competitive and favourable to QMUL as can reasonably be achieved in the light of market conditions prevailing at the time.

8.11 The maturity profile of any borrowings, private financing and partnership arrangements will be managed so as to avoid over reliance on any one source of funding and cognisant of excessive maturities within a short time frame which might put QMUL's finances at risk.

8.12 Where it is the intention of QMUL to raise capital for new institutional projects, the Chief Financial Officer will have regard to:

- The level of security for the project and any associated considerations
- The value of assets already held as security on existing capital projects
- The repayment strategy for any borrowed funds
- The requirements of the Terms and Conditions of Funding from the Office for Students
- Any statutory restrictions, and QMUL's own powers and regulations
- Any restrictions on QMUL's use of its property assets required by any covenants or other external requirements
- The maximum level of assets that should be provided as security without risking the overall stability of QMUL
- The impact of any covenants required including when combined with those of any existing long term borrowing
- The financial strategy agreed by the University

Legal and regulatory risk

8.13 Prior to undertaking any new borrowings or other long term liabilities, it is the responsibility of the Chief Financial Officer to satisfy themselves, by reference to QMUL's legal advisors if necessary, that the proposed transactions do not breach QMUL's Charter and Ordinances, the Financial Regulations, the requirements of the Terms and Conditions of Funding with the Office for Students nor with any terms and covenants or other external requirements concerning borrowing.

8.14 QMUL recognises that any change in the legal or regulatory landscape, including specific changes from the Office for Students or to Charity legislation may affect the way higher education institutions manage treasury activities. QMUL will ensure, as far as it is reasonable to do, that any such changes are dealt with in order to minimise any adverse impact on the institution.

Operational risk including Fraud, error and corruption

8.15 The Chief Financial Officer will be responsible for ensuring that procedures exist, so that circumstances may be identified and addressed which could expose QMUL to risk of loss through fraud, error, corruption or other eventualities in its treasury management activities. QMUL will maintain systems and controls to provide for effective contingency management arrangements. Relevant legislation which may be referred to includes the Bribery Act 2010; Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017; Counter-Terrorism and Security Act 2015; Enterprise and Regulatory Reform Act 2013; the Criminal Finance Act 2017 and the Economic Crime and Corporate Transparency Act 2023. There are separate QMUL policies for Fraud and Corruption, Anti-Bribery and Anti-Money Laundering & Criminal Finance Act.

8.16 QMUL's internal and external auditors who report directly to the Audit and Risk Committee also provide external review and assurance regarding the University's control environment, which is pertinent to the risk of fraud, error and corruption.

Price risk management

8.17 The Chief Financial Officer will be responsible for ensuring that funds invested are protected as much as is reasonable from any adverse fluctuations in the market. They will be mindful that the overriding aim that any investment decision will be made so as to ensure the security of QMUL's capital.

9. TMP2 - Performance measurement

9.1 QMUL is committed to the pursuit of value for money in its treasury management activities, and to the use of performance measurement and analysis in support of that aim.

9.2 The treasury management function should regularly review alternative methods of service delivery, and any other potential improvements. The performance of the treasury management function will be measured using appropriate benchmarks.

10. TMP3 - Decision-making and analysis

10.1 QMUL will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, to demonstrate that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

11. TMP4 - Approved instruments, methods and techniques

11.1 QMUL will undertake its treasury management activities by employing only those instruments, methods and techniques as approved by the Finance and Investment Committee.

11.2 The overriding principle guiding the investment of surplus funds is to achieve a satisfactory return while reducing risk to a level acceptable to the Finance and Investment Committee.

12. TMP5 - Organisation, clarity and segregation of responsibilities, and dealing arrangements

12.1 QMUL considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

12.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

12.3 The Chief Financial Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Chief Financial Officer will also ensure that at all times those engaged in treasury management will follow the appropriate policies and procedures.

12.4 The Chief Financial Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

13. TMP6 - Reporting requirements and management information arrangements

13.1 The Finance and Investment Committee will receive reports on treasury management activities and risks either as standalone reports, or within the regular finance reports which also include budget and financial forecasts.

13.2 This reporting will include details of any current or topical matters which may impact on treasury activity resulting from regulatory, economic, market or other factors. Ad hoc reporting outside of the usual committee cycle will be undertaken when necessary, e.g. when significant market events occur.

14. TMP7 - Budgeting, accounting and audit arrangements

14.1 The Chief Financial Officer will prepare an annual budget, which will include income, and costs associated with treasury management activities. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with Treasury Management Practices (TMPs).

14.2 QMUL will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements during the applicable period.

14.3 QMUL will ensure that its auditors, both internal and external, have access to all information and papers supporting the activities of the treasury management function, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

15. TMP8 - Cash and cash flow management

15.1 All unrestricted monies in the hands of QMUL will be under the control of the Chief Financial Officer, and will be aggregated for cash flow and investment management purposes. Cash flow forecasts will be prepared on a regular and timely basis, and the Chief Financial Officer will ensure that these are adequate for the purposes of monitoring compliance with liquidity risk.

16. TMP9 - Money laundering

16.1 QMUL may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this area are properly trained.

16.2 QMUL has an Anti-Money Laundering Policy.

17. TMP10 - Training and qualifications

17.1 QMUL recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore provide training for appropriate staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

17.2 The Chief Financial Officer will ensure that any other individuals (such as non finance staff or committee members) tasked with treasury management responsibilities, including those responsible for scrutiny, receive training relevant to their needs and responsibilities.

18. TMP11 - Use of external service providers

18.1 QMUL recognises that whilst at all times responsibility for treasury management decisions remain with QMUL, there is value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When external service providers are employed, QMUL will ensure that a full evaluation of the costs and benefits of using such providers has been undertaken. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Chief Financial Officer.

19. TMP12 - Corporate governance

19.1 QMUL is committed to the pursuit of proper corporate governance throughout all of its undertakings. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

19.2 QMUL has adopted and has implemented the key principles and recommendations of the CIPFA Treasury Management Code. This, together with the other arrangements detailed in this document, are considered vital to the achievement of proper corporate governance, and the Chief Financial Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Treasury Management Procedures

20. Responsibility and Authorisation

20.1 Responsibility for the operation of the treasury management policy is ultimately that of the President and Principal as Accounting Officer of QMUL. This responsibility is exercised on behalf of the President and Principal by the Chief Financial Officer.

20.2 The Chief Financial Officer may delegate the day to day duties of Treasury Management, but not the responsibility, to such staff within the Finance Department as they see fit.

20.3 The Finance and Investment Committee is responsible to Council for advising on investment policy and monitoring investment activity undertaken by authorised officers.

21. Cash and Temporary Investments

21.1 The amount and period of any temporary investment shall be determined by reference to QMUL's estimated short and medium term cash flow requirements.

21.2 Where QMUL invests funds itself, the arrangements are that the only approved investment, except for accounts with QMUL's bank; approved counterparties; money market funds or cash plus funds as approved by Finance and Investment Committee, are simple money market deposits – either for a fixed period or on notice. Specifically prohibited are:

- Commercial paper
- Any transaction involving the use of the futures market
- Any transaction requiring the use of interest rate swaps

21.3 The Chief Financial Officer is responsible for monitoring the creditworthiness of approved deposit takers using appropriate external sources of information including credit agency reports and limiting exposure below the approved limit where appropriate.

21.4 QMUL will often deal directly with institutions on the approved list of borrowers who may from time to time, offer terms of deposit which are substantially better than general money market rates.

21.5 Temporary investment may also be arranged through an authorised and regulated broker, to obtain a wide range of potential counterparties.

21.6 QMUL is responsible for ensuring that any transactions placed through brokers or any other intermediaries conform to this treasury management policy.

21.7 QMUL may also choose to hold cash balances and temporary investments on deposit with stockbrokers and fund managers. These decisions will be made by the Chief Financial Officer and reported to Finance and Investment Committee.

21.8 Interest earned from investments will be credited to the appropriate accounts as required to meet reporting timetables in QMUL.

22. Endowment Funds and other funds held for long-term purposes

22.1 The University has created an Investment Policy which sets out the approach taken to investing the University's Endowment portfolio, which is principally undertaken via the appointment of external Investment Managers. Any endowment or other QMUL funds held for long-term purposes which are invested by the University rather than external Investment Managers, is covered by this policy, subject to meeting the requirements of any donors, where relevant.

23. Working Capital

23.1 The Chief Financial Officer will make arrangements for debts to be collected promptly, and creditors to be paid in a timely fashion so as to maximise operating cash flow.

24. Borrowings

24.1 An overdraft facility may be maintained for operational purposes and a loan facility may also be arranged for the same purpose, but their use will be minimised with the aim of keeping costs down. An overdraft facility will not be used for long-term purposes unless such arrangements can be demonstrated to be consistent with the overriding principles of this policy and in particular value for money considerations.

24.2 Any proposals for long-term borrowing for funding of projects will be evaluated carefully by the Chief Financial Officer in line with QMUL's financial plan and the objectives of this policy, and will not be undertaken without the express agreement of the Finance and Investment Committee. It will normally be expected that several sources of funds will be evaluated in each case.

24.3 Appropriate interest rate hedging, through fixed rates, interest rate swaps and other non-aggressive instruments, may be undertaken to protect QMUL from sharp increases in interest rates on borrowings or to take advantage of lower rates. The balance between protection and loss of flexibility will be evaluated by the Chief Financial Officer with such external advice as they consider appropriate. Decisions will be taken by the Finance and Investment Committee, but the Committee may delegate to the Chief Financial Officer the timing of implementation of a proposal so as to allow favourable market conditions to be exploited.

24.4 Refinancing of a borrowing arrangement will be considered periodically if it can be demonstrated that refinancing activity would result in an overall beneficial impact to QMUL, taking into account factors such as the impact of borrowing costs on the revenue account, the phasing of repayment terms, and any loan covenant considerations. Refinancing activity will consider the competitiveness of terms offered in the light of market conditions prevailing at the time, and will require approval by the Finance and Investment Committee, but the Committee may delegate to the Chief Financial Officer the timing of implementation of a proposal so as to allow favourable market conditions to be exploited.

25. Foreign Exchange

25.1 QMUL recognises that as a large organisation with a minority of its transactions occurring in currencies other than sterling, there will be points in time when foreign exchange movements are positive, and points in time when these are adverse. Given the size of QMUL and the relatively low proportion of foreign currency transactions, QMUL's approach to foreign exchange risk is to seek to ensure that its transactions involving foreign currency are simple or straightforward. To this end it will:

- Seek where possible to have transactions conducted in sterling rather than foreign currency
- Avoid speculating on the future value of foreign currencies against the Pound (GBP)
- Seek wherever possible to keep the administration of foreign currency transactions and holdings simple and low cost in administrative terms

25.2 Funds received in Euros or US Dollars will be credited to the Euro or US Dollar bank accounts, which will be maintained at an optimal level in relation to anticipated expenditure and liabilities in respect of European Research Grants.

25.3 Costs arising from currency conversion costs will be absorbed by the relevant budget holders for the activity. Changes in the sterling value of approved EU-funded projects will be borne by or credited to the projects, subject to EU rules.

26. Currency Management for Research Portfolio

26.1 **Costing of Research Applications**: An exchange rate is set at the start of each month based on the prevailing rates. A buffer of 10% is applied as the costs generated will apply to applications that could take up to 6 months to be awarded. The new rate is then applied to the financial currency module within the research costing system (currently Worktribe). Once a project is submitted to a funder the exchange rate used is locked.

26.2 **Post Award Currency Management:** For sums denominated in USD and Euro, invoices are raised in USD and Euro in the financial system, (currently Agresso). The sterling equivalent is calculated via a weekly updated prevailing exchange rate, any exchange rate differences once the income is reconciled, will be transferred to the appropriate losses or gains account which sits as a central University budget.

26.3 For sums denominated in other currencies - a sterling invoice is raised in the University finance system based on the prevailing exchange rate, and a further manual invoice in the non sterling currency is sent to the funder quoting the invoice number generated by the sterling invoice as reference for when the payment is made. Staff will monitor the actual income received as part of the quarterly reconciliation process and the budget is updated where necessary.

27. Forecasting, Monitoring and Reporting

27.1 The Chief Financial Officer will be responsible for preparing appropriate cash flow forecasts at the start of each financial year as part of the budget setting process, for the Finance and Investment Committee. The forecasts will be reviewed during the year as part of monthly financial reporting to track actual cash flows against planned movements. This will enable the forecasts to be rolled forward as necessary.

27.2 Reports summarising treasury management activity during the reporting period, will be prepared by the Chief Financial Officer for consideration by the Finance and Investment Committee. The average rate of return on investments made during the reporting period should be measured against average bank base rate over the same period, and commentary provided on the return achieved. Commentary on other aspects of activity, including endowment funds and borrowings, will be made as appropriate.

28. Other Matters

28.1 QMUL will conduct its day to day banking with a substantial UK clearing bank. QMUL will re-tender its banking contract from time to time to ensure the most efficient use of its resources, taking into account the significant costs involved in any change of bankers.

28.2 The Finance Department staff involved in treasury management will be expected to attend seminars and short courses on relevant topics, in order to ensure that they are up to date with any legal and regulatory changes. Other staff involved in receipt of income will be made aware of the risks of money laundering and required to follow appropriate procedures as outlined in QMUL's Anti-Money Laundering and Criminal Finance Act Policy.

28.3 The treasury management activities of QMUL will be subject to internal and external audit in the normal way.

Appendix A Staff Authorised to Place and Approve Investments

1. Overnight and Short Term Deposits with QMUL's main bankers.

   One of the following:

   - General Ledger Manager (once approved by either the Financial Accountant, the Head of Financial Accounting or the Deputy Director of Finance, Financial Controls & Systems)
   - Financial Accountant
   - Head of Financial Accounting
   - Deputy Director of Finance, Financial Controls & Systems

2. CHAPS transfers to External Managers and approved counterparties will be made by:

   One of the following, **after** receiving written approval in accordance with the bank mandate:

   - General Ledger Manager
   - Financial Accountant
   - Head of Financial Accounting
   - Assistant Financial Accountant
   - Deputy Director of Finance, Financial Controls

Appendix B Approved Counterparties and Monetary Limits

UK clearing banks:

Barclays PLC - up to £35 million
RBS/NatWest - up to £35 million
Lloyds - up to £35 million
HSBC - up to £35 million
Santander UK - up to £35 million

UK Building Societies:

Nationwide - up to £35 million
Coventry - up to £35 million

Besides those specified above, further bank and building society counterparties approved by the Chief Financial Officer are to be restricted to those with a minimum credit rating from at least one of the three main credit rating agencies (Moody's; Standard & Poors and Fitch):

	Short term	Long term
Moody's	P-1	Aa1/Aa2/Aa3
Standard & Poors	A-1	A+/A/A-
Fitch	F1	AA+/AA/AA-

Amounts to be invested directly or via a Fund Manager up to a maximum holding of £35 million per institution, with the exception of QMUL's endowment funds which is governed by the University Investment Policy.

AAA rated money market funds and Cash Plus funds, a maximum of £35 million to be invested per fund. Money Market Funds administered by the above named institutions will be treated to have separate limits to the institutions themselves.
UK Government Treasury Bills (T-Bills)

Any other investment specifically approved by the Finance and Investment Committee.

Appendix C Glossary of Terms

Bank Rate/Bank of England 'Base Rate'

The Bank Rate is the official Bank Rate paid on commercial bank reserves, that is, the reserves placed by commercial banks with the Bank of England as part of the Bank of England's operations to reduce volatility in short term interest rates in the money market.

Base Rate

The Base Rate refers to the rate which is set by each high street bank. It is the key factor used to establish their various lending rates to customers. It is normally set at the same rate as the Bank Rate and changes in line with changes in the Bank Rate.

Certificate of Deposit (CD)

A Certificate of Deposit is a bank deposit with a set maturity date and pre-determined, fixed interest rate. Investors receive a certificate which is a negotiable instrument and has a secondary market. The holder of a CD may sell it on to a third party before the maturity date.

Commercial Paper (CP)

Commercial Paper is a short-term note issued by large banks and corporate entities, with a fixed maturity usually between 1 and 270 days. Such instruments are unsecured and usually discounted, although some may be interest bearing.

Counterparty

A Counterparty is a party with whom a transaction is done.

Credit Default Swaps (CDS)

A Credit Default Swap is a contract between two counterparties in which the buyer of the contract makes quarterly payments to the seller of the contract in exchange for a payoff if there is a default by the third party on whom the contract is based. The contract essentially provides a means of insurance to the buyer of the CDS against default by a borrower. The "spread" (effectively the premium paid by the CDS buyer) provides an indication of the perceived risk of a default occurring.

Credit Rating

A Credit Rating is an estimate of the quality of a debt from the lender viewpoint in terms of the likelihood of interest and capital not being paid, and of the extent to which the lender is protected in the event of default. An individual, a firm or a government with a good credit rating can borrow money from financial institutions more easily and cheaply than those who have a bad credit rating.

Credit Rating Agency (CRA)

A Credit Rating Agency is a firm that issues opinions on companies' ability to pay back their bonds. These opinions are often abbreviated on an alpha-numeric scale ranging from AAA to C (or equivalent).

Dealing

Dealing is the process of carrying out a transaction with a Counterparty, including agreeing the terms of an investment. This is usually conducted through a Money Market Broker.

Liquidity

Liquidity refers to an asset that can be turned into cash, or where an asset has the ability to be quickly bought or sold.

Term Deposit (or Time Deposit)

Term Deposit is the generic term for a bank deposit where funds cannot be withdrawn for a fixed period of time. They are also set at a fixed rate of interest.

Policy Information and Document Control

Policy title	Treasury Management Policy
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Policy contact	Phillipa Scott, Head of Financial Accounting

Version Control

Version	Date	Reason for updates/Summary of key changes
2.0	March 2026	3 yearly regular update