

Date: 15 October 2015

Item: Review of TfL's Approved Counterparties 2015/16

This paper will be considered in public

1 Summary

- 1.1 The Committee has previously agreed that it should review and discuss the continuing diversification strategy and the changing risk environment for TfL's investments on a regular basis. This paper asks the Committee, under authority delegated by the Board within the Treasury Management Strategy 2015/16, to approve additions and amendments to the Approved Investment List 2015/16 and amendments to the Approved Derivative Counterparties List 2015/16 as set out in the paper on Part 2 of the agenda.
- 1.2 By continuing to diversify its investment counterparties, TfL will benefit from obtaining greater direct control and transparency of investments whilst maintaining appropriate levels of liquidity. Therefore, it is considered important that Group Treasury continue to review both existing and potential future counterparties on an ongoing basis and make recommendations to the Committee where appropriate.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

- 2.1 **That the Committee note the paper and supplemental information on Part 2 of the agenda and approve:**
- (a) **additions and amendments to the Approved Investment List 2015/16 as set out in Appendix 1 in Part 2 of this paper; and**
 - (b) **amendments to the Approved Derivative Counterparties List 2015/16 as set out in Appendix 2 in Part 2 of this paper.**

3 Additions and Amendments to the Approved Investment List 2015/16

- 3.1 Group Treasury has made recommendations to amend the Approved Investment List 2015/16 in Part 2 of this paper.
- 3.2 Proposed new additions to the Approved Investment List are considered necessary to continue to improve diversification and competitive return opportunities whilst maintaining the appropriate levels of liquidity for TfL.
- 3.3 Any new approved counterparties will be assigned exposure and tenor limits as outlined in section 7 of the TMS 2015/16, as is used for the existing counterparties on the Approved Investment List 2015/16.
- 3.4 Since April 2015 there have been a few investment counterparties which have experienced changes in their credit ratings or credit default swaps (CDS) spreads. Where this has been an adverse change which has fallen below an acceptable level for TfL to transact with, limits have been reduced to zero and exposures remain within limits approved at that time. Group Treasury will continue to monitor this on an ongoing basis.
- 3.5 The current and prior credit ratings and CDS spreads are shown in Appendix 4 to Part 2 of this paper.

4 Amendments to the Approved Derivative List 2015/16

- 4.1 Group Treasury has made recommendations to amend the Approved Derivative Counterparty List 2015/16 in Part 2 of this paper.
- 4.2 Any new approved counterparties will be assigned exposure limits as outlined in section 7 of the TMS 2015/16, as is used for the existing counterparties on the Approved Derivative Counterparty List 2015/16.
- 4.3 Since 1 April 2015 there have been a few of derivative counterparties which have experienced changes in their credit ratings or CDS spreads. Where this has been an adverse change which has fallen below an acceptable level for TfL to transact with, limits have been reduced to zero and exposures remain within limits approved at that time. Group Treasury will continue to monitor this on an ongoing basis.
- 4.4 The current and prior credit ratings and CDS spreads are shown in Appendix 5 to Part 2 of this paper.

List of appendices to this report:

Exempt supplemental information is included in a paper on Part 2 of the agenda.

List of Background Papers:

TfL Treasury Management Strategy 2015/16

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