Finance and Policy Committee

Date: 2 March 2016

Item: Treasury Management Strategy 2016/17

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to ask the Committee to recommend that the Board approves the proposed TfL Treasury Management Strategy (TMS) for 2016/17. The TMS 2016/17 comprises the Investment Strategy 2016/17, the Borrowing Strategy 2016/17, the Risk Management Strategy 2016/17, the Counterparty Exposure Limits 2016/17 and the TfL Policy on Minimum Revenue Provision.

1.2 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 the meeting.

2 Recommendations

2.1 **The Committee is asked to:**

(a) note the paper and the supplementary information on Part 2 of the agenda;

(b) recommend that the Board approves the Treasury Management Strategy for 2016/17 (TMS), including the Investment Strategy 2016/17, the Borrowing Strategy 2016/17, the Risk Management Strategy 2016/17, the Counterparty Exposure Limits 2016/17 and the TfL Policy on Minimum Revenue Provision included at Appendix 1;

(c) recommend that the Board authorises the Committee to approve any changes to the TMS 2016/17 during the course of the year;

(d) approve the proposed Approved Investments List 2016/17 and Approved Derivative Counterparty List 2016/17 as set out in Appendices 3 and 4 respectively;

(e) note that the proposals to the Committee for derivative investments set out in Recommendation 2.1(f) have been approved by the Managing Director Finance (in that capacity and in his capacity as

Chief Finance Officer), as required under the Policy Relating to the Use of Derivative Investments 2015/16; and

subject to the TfL Board approving the TMS 2016/17 and the Policy Relating to the Use of Derivative Investments 2016/17:

(f) approve, pursuant to Section 49 of the Transport for London Act 2008 (the Act) and the TfL Group Policy Relating to the Use of Derivative Investments (the Derivatives Policy) for 2015/16 (or 2016/17 as maybe applicable at such time), Transport for London Finance Limited (as a qualifying TfL subsidiary for the purposes of the Act) entering into derivative investment(s) in relation to:

(i) mitigating exchange rate risk related to specific currency exposures arising from the procurement of goods or services by any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum of exchange rate risk to any member of the TfL Group is established;

(ii) mitigating exchange rate risk exposures arising from any TfL investments in foreign currencies as permitted by the proposed Treasury Management Strategy (TMS) 2015/16 (or 2016/17 as may be applicable at such time);

(iii) mitigating commodity rate and/or price risk related to specific commodity (including oil and electricity) exposures arising from the procurement of goods or services by any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum of commodity risk to any member of the TfL group is established;

(iv) mitigating interest rate risk and if applicable currency risk related to any imminent TfL borrowing, once the borrowing has become certain and authorised according to relevant TMS 2015/16 (or 2016/17 as may be applicable at such time) provisions; and

(v) mitigating interest rate risk and currency risk if applicable related to planned future TfL borrowing in accordance with the TMS and the Derivatives Policy 2015/16 (or 2016/17 as may be applicable at such time).

2.2 **The following Officers and Subsidiaries shall have delegated authority:**

(a) TfL Officers: the Commissioner, Chief Finance Officer, General Counsel and Director of Group Treasury; and

(b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of

the relevant company shall be authorised to act for and on behalf of that company.

3 Proposed changes to Treasury Management Strategy

3.1 The proposed changes for 2016/17 are mainly intended to reflect the expected impact of the latest funding settlement letter (which, at this time, is still being finalised) and provide an update to the TfL Policy on Minimum Revenue Provision. There have been no other substantial changes. All the proposed changes compared to the TMS 2015/16 are shown with changes tracked in Appendix 2.

4 Investment Strategy

4.1 Minor drafting changes have been made and are tracked in Appendix 2.

4.2 It is proposed that the current limit of £100m equivalent be removed from TfL's foreign currency investments policy as this potentially conflicts with 4.6(b)(i) and 4.6(b)(ii) of the TMS (such provisions first approved in 2014), which gives TfL the ability to make investments of any currency and of any amount for foreign currency received in advance of payments or when associated with investments denominated in foreign currencies.

5 Borrowing Strategy

Key Principles of TfL's Borrowing Strategy

5.1 TfL's objective for 2016/17 is to manage its borrowing in a manner that combines flexibility, security of access to funds, diversity of funding sources and value for money. TfL seeks to achieve this by maintaining access to capital markets through its Euro Commercial Paper (ECP) programme and Euro Medium Term Note (EMTN) programme, and loans and other facilities from banks where appropriate, as well as strengthening and broadening its investor base. This is a prudent approach that prevents TfL becoming reliant on any one source or any one investor and being able to secure access to finance and minimising the average cost of borrowing over the long term.

TfL Borrowing Requirements 2016/17

5.2 TfL's expected borrowing requirement for 2016/17 is set out in Table 1 below:

Table 1 - Expected TfL borrowing requirement[1]

Requirement	£m
Expected Incremental borrowing as per 2016 Funding Settlement	730.5
Refinancing of short-term debt	108

[1] Figures are based on the previous funding letter with government. Amounts are expected to remain unchanged

Borrowing Requirement for 2016/17	**838.5**

5.3 TfL's power to borrow is subject to the requirements of the local government capital finance regime. TfL adopts Prudential Indicators for treasury management activities, including establishing an Operational Boundary and Authorised Limit in respect of TfL's Prudential Borrowing. The proposed Prudential Indicators for 2016/17 and the following two years are the subject of a separate item on this agenda.

Proposed Changes to the Borrowing Strategy

5.4 It is proposed to remove the requirement to consult with the available members of the Committee on the need for a Supplementary Prospectus prior to the bond issuance. This is consistent with the Board delegation of the approval and entry into any documentation related to the EMTN programme directly to TfL Officers, effective from March 2014.

5.5 It is proposed to add a Commercial Paper Back-Stop Facility and a Revolving Credit Facility to the other sources of borrowing in paragraph 5.9 of the Treasury Management Strategy, for which TfL Officers have delegation to approve and enter into any required agreements and documentation. This change is for clarification purposes only, as these delegations were given in September 2011 and March 2014 respectively.

5.6 Further details on the proposed Borrowing Strategy are discussed in the paper in Part 2 of the agenda.

Minimum Revenue Provision

5.7 Details on the proposed changes to TfL policy on Minimum Revenue Provision are discussed in the paper in Part 2 of the agenda.

6 Risk Management Strategy

6.1 Minor drafting changes have been made and are tracked in Appendix 2.

7 Counterparty Exposure Limits

7.1 No changes are proposed to the Counterparty Exposure Limits.

8 Proposed Approved Investments List 2016/17 and Approved Derivative Counterparty List 2016/17

8.1 No changes are proposed to be made to the Derivative Counterparty List or to the Approved Investments List for 2016/17.

8.2 No changes have been made to the Approved Investment and Counterparty limits but a change to the calculation of the utilisation of the limits, based upon better information being available.

8.3 Where an investment instrument benefits from collateral arrangements, for example, Reverse Repurchase Agreements Repos (repos), TfL has been allocating 2.3 per cent of the notional value to allow for daily price movements for purposes of calculating bank exposure. When repos were first entered into 2.3 per cent was estimated to be the maximum daily exposure based on a 99 per cent confidence level. In actual practice since June 2013 the daily movement on the portfolio of gilts held as collateral by TfL for repo transactions has been movements of 1.37 per cent or less 99 per cent of the time, with a maximum daily movement of 3.29 per cent. As there is the potential for increased volatility due to the expected referendum of the UK membership in the European Union, it is now proposed that the counterparty exposure is increased to 5 per cent of notional value going forward.

8.4 TfL has updated the amount of Potential Future Exposure (PFE) used to calculate bank exposures based on current accepted market methodology. The PFE is calculated based on the maximum counterparty exposure assuming a 95 per cent confidence level of possible future movements in interest rates. TfL uses a static data table obtained from TfL's relationship banks (which mirrors the amounts used for their own derivative exposures), this table is reviewed periodically.

List of appendices to this report:

Appendix 1: Treasury Management Strategy 2016/17

Appendix 2: Treasury Management Strategy 2016/17 with changes compared to 2015/16 tracked

Appendix 3: Approved Investment List 2016/17

Appendix 4: Approved Derivative Counterparty List 2016/17

A paper on Part 2 of the agenda contains exempt supplemental information.

List of Background Papers:

None

Contact Officer: Simon Kilonback, Director of Group Treasury, Finance
Number: 020 7535 5300
Email: SimonKilonback@tfl.gov.uk

TREASURY MANAGEMENT STRATEGY 2016/17

TRANSPORT FOR LONDON

TREASURY MANAGEMENT STRATEGY 2016/17

1 SUMMARY

1.1 This TfL Treasury Management Strategy (TMS) 2016/17 comprises the:

(a) Investment Strategy 2016/17;

(b) Borrowing Strategy 2016/17; and,

(c) Risk Management Strategy 2016/17.

2 BACKGROUND INFORMATION

2.1 TfL has had regard to the key recommendations of CIPFA's Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services 2011 (the 'Code') and the revised investment guidance issued by the Department for Communities and Local Government (DCLG) which came into effect from 1 April 2010 (DCLG Guidance) in preparing this Treasury Management Strategy.

2.2 As recommended by the Code, this strategy will be updated at least annually and submitted for the approval of the TfL Board.

2.3 TfL has considered the implications of its overall asset and liability management, taking into account its overall exposure to inflation, interest rates and currencies as they affect its commercial markets (passenger levels, fare revenues, and costs) and in its financial activities (financing costs and investment returns on cash balances).

2.4 TfL continues to add to its sources of market information to enable it to support its future investment decisions and continues to seek prudent opportunities to maintain yield without risking underlying security.

2.5 The Director of Group Treasury and TfL Group Treasury officers will implement, operate and administer the Treasury Management Strategy (including entering into any documentation where appropriate).

2.6 For the purposes of this document TfL Officers means the Commissioner, Chief Finance Officer, General Counsel and Director of Group Treasury.

3 STRATEGIC OBJECTIVES

3.1 The objectives underpinning the TMS 2016/17 are:

(a) to ensure that sufficient cash is available to enable TfL to discharge its financial obligations when they become due, in accordance with approved spending plans;

(b) to undertake treasury management operations with primary regard for the security and liquidity of capital invested;

(c) to maximise the yield from investments consistent with the security and liquidity objectives identified above;

(d) to undertake treasury management activity having regard to Prudential Indicators;

(e) to secure TfL's funding requirements by accessing the most cost efficient source of finance, while ensuring TfL has flexibility and sufficient alternatives not to be dependent on any particular source; and

(f) to use TfL's statutory power relating to risk management to achieve greater value for money through reducing costs or protecting revenues, reducing volatility / increasing certainty in the Business Plan and to manage treasury financial risks across the whole of TfL.

4 INVESTMENT STRATEGY 2016/17

4.1 All cash balances will be invested in accordance with this Investment Strategy and with regard to the relevant DCLG Guidance.

4.2 Group Treasury applies this Investment Strategy in accordance with the TMS strategic objectives listed in 3.1 above.

4.3 All references to investments in the Treasury Management Stratgegy refer exclusively to those listed in the TfL 'Approved Investment List'. Investments are limited to counterparties and types of investment that have been placed on a TfL 'Approved Investment List'. Investments may be made in any wholly owned subsidiary or its publicly listed borrowing programmes which either (a) has the same or better credit rating as, or (b) is guaranteed by the counterparty listed in the Approved Investments List, within the parent institution's aggregate investment limit. If a subsidiary has a higher rating than its parent, then that subsidiary will benefit from the higher rating, but this will not affect the overall group rating or the group investment limit.

4.4 The Finance and Policy Committee will approve entities and types of investment that may be added to the Approved Investment List.

4.5 In determining whether to recommend to the Finance and Policy Committee to place an institution on the Approved Investment List, consideration will be made of:

(a) the financial position and jurisdiction of the institution:

(b) the market pricing of credit default swaps for the institution;

(c) any implicit or explicit Government support for the institution;

(d) Standard & Poor's, Moody's and Fitch's short and long term credit ratings; and

(e) Tier 1 capital ratios in the case of financial institutions.

4.6 Investments that either exceed one year or are in currencies other than Sterling, are limited to use within the following criteria:

(a) where the maturity is greater than one year:

(i) any such investments would be in Sterling, so the potential risk for TfL is one of liquidity – that TfL requires the funds that are tied up in longer term investments. Given the nature of the institutions (in some cases government or government guaranteed) the risk of default is very low;

(ii) before placing such longer term investments, TfL would carry out a detailed cash forecast to determine the need for funds over a longer time period, and only place funds for longer than one year where it was confident on the most conservative basis that the monies would not be required in the meantime; and,

(iii) any such investments will be instruments which could be readily converted into cash to obtain liquidity, should such a need arise;

(b) where investments are in currencies other than Sterling:

(i) investments in any currency where the currency is bought in advance of a payment or payments in that currency (for example, if TfL has several payments in Euros (EUR) within a matter of weeks and it is more cost effective to buy a single tranche of Euros to cover all of the payments rather than buy several smaller amounts on the days each payment is required); or

(ii) investments denominated in currencies other than Sterling are swapped back to GBP as a matter of course after taking into account of any natural offsets TfL has to the foreign currency as appropriate.

LIQUIDITY OF INVESTMENTS

4.7 TfL will manage its cash to ensure that a minimum of £250m is available for redemption on any business day to ensure TfL has sufficient liquidity to meet its financial obligations.

4.8 Each investment decision will be made with regard to expected cash flow requirements resulting in a range of maturity periods within the investment portfolio.

4.9 Where the Director of Group Treasury, in consultation with Chief Finance Officer, deems such a step is appropriate in order to protect TfL against potential losses, TfL may break or resell fixed term investments early, including where doing so will result in TfL incurring penalties or crystallising a loss.

4.10 Where the Director of Group Treasury, in consultation with the MD Finance or the Chief Finance Officer, deems it appropriate, TfL may break or sell fixed term investment instruments as part of a switch into similar instruments where doing so offers a positive investment return. For example, TfL may have the opportunity to sell a holding of T-bills of a particular maturity and buy T-bills with a slightly different maturity with a better return. Market opportunities such as this arise reasonably frequently where market dynamics result in high demand for particular instruments.

4.11 As recommended by the Code, TfL establishes a limit on sums that are invested for periods longer than 364 days. These are establised by a separate Prudential Indicators document approved by the Mayor.

4.12 Without further reference to the Finance and Policy Committee, the Director of Group Treasury and/or TfL Group Treasury officers may enter into any investment related agreements and/or documentation required to execute the Investment Strategy.

5 BORROWING STRATEGY 2016/17

5.1 TfL's objective is to manage its borrowing in a manner that combines flexibility, security of access to funds, diversity of funding sources and value for money. TfL seeks to achieve this by maintaining access to capital markets through its Euro Commercial Paper (ECP) programme and Euro Medium Term Note (EMTN) programme, and complementing this with loans and other facilities from banks where appropriate. TfL's borrowing plans are ultimately underpinned by access to the Public Works Loan Board (PWLB); other sources of funding will be used where they further TfL's stated objectives (i.e. offer better value for money, flexibility, security of access or diversity of funding sources).

5.2 TfL recognises the value of its strong credit rating in facilitating low cost debt finance and other financial instruments and intends to maintain its credit rating relative to that of the UK Government.

5.3 TfL will borrow in accordance with the prevailing funding settlement letter from central government. All borrowing will be drawn from the TfL's Approved Borrowing Sources. Subject to HM Treasury approval TfL could defer all or part of the incremental borrowing to the following financial year, providing that it gives a notice to HM Treasury prior to the end of the financial year.

5.4 TfL's Approved Borrowing Sources[1] comprise:

(a) the PWLB or any future body replacing the PWLB;

(b) TfL's EMTN programme;

[1] For the avoidance of doubt, TfL may borrow in Sterling and foreign currencies subject to receipt of approval from HM Treasury in relation to the latter.

(c) TfL Notes issued into the US or to US persons pursuant to an exemption from the requirement to register with the US Securities and Exchange Commission (including pursuant to Rule 144A, Section 4(a)(2) and/or Regulations D of the US Securities Act of 1933 (SEC Exemption Issuance), as amended);

(d) TfL Notes issued under stand alone documentation (including private placements);

(e) TfL's ECP programme;

(f) EIB or commercial bank loans;

(g) Export Development Canada (EDC) and other export credit agencies;

(h) A Commercial Paper Back-Stop Facility (CPBF);

(i) A Revolving Credit Facility (RCF) of up to £1bn; and

(j) A £200m overdraft facility with HSBC;

5.5 Additional sources of borrowing may only be added to the Approved Borrowing Sources with the approval of the Finance and Policy Committee.

5.6 Any permitted borrowing in currencies other than Sterling will be swapped back into Sterling as soon as practically possible, subject to favourable market conditions. In instances where market conditions do not allow the execution of the hedging transaction soon after the net proceeds are received, the foreign currency proceeds will be invested in money market instruments, consistent with the principles of the TfL's Investment Strategy.

5.7 The Finance and Policy Committee's approval is required for any newly arranged facility (but not facilities being renewed) through the EIB, commercial banks, EDC or other export credit agencies.

5.8 Issuance under TfL's EMTN programme or the issuance of Notes using standalone documentation or any SEC Exemption Issuance are permitted subject to the prior written approval of Chief Finance Officer provided that:

(a) any such issuance is in accordance with any relevant parameters set out in the Treasury Management Strategy 2016/17; and,

(b) as many Members of the Finance and Policy Committee as are available will be consulted on the proposed term and amount of such Note issuance in advance of issuance.

5.9 Approval and entry into of any required agreements or other documentation (including any associated Prospectus, supplemental Prospectus or Information Memorandum) in relation to the implementation of permitted borrowing in relation to CPBF, RCF, the EMTN Programme, ECP Programme, SEC Exemption Issuance or any notes issued under stand alone documentation is delegated directly from the Board to TfL Officers.

5.10 The prior written approval of the Chief Finance Officer is required for any new borrowing from the PWLB, or any future body replacing the PWLB.

5.11 Without further reference to the Finance and Policy Committee, TfL will use the ECP programme and any other short-term facilities approved by the Finance and Policy Committee (e.g. overdraft or commercial paper back-stop facilities or revolving credit facilities for the amounts agreed with the Finance and Policy Commitee), to meet its short-term liquidity requirements pending the execution of longer-term borrowing agreed with the Finance and Policy Committee.

5.12 TfL will normally arrange new short-term borrowings to replace short-term borrowings falling due for repayment. In order to limit the liquidity risk that this creates TfL manages maturites such that no more than £200m of short-term borrowings falls due for repayment in any three day period.

5.13 The overdraft facility will not be used in the normal course of business, but only for short periods to meet unexpected liquidity requirements. The Chief Finance Officer will be notified immediately of any drawing of more than £20m on the overdraft facility.

5.14 As required by the Local Government Act 2003, at all times, the aggregate of all of TfL's liabilities will be within the Authorised Limit set by the Mayor and adopted by the Board.

5.15 Where TfL is issuing new medium or long-term debt, or refinancing existing debt, it may be necessary or commercially desirable to draw the new debt prior to the repayment of the debt being refinanced, which may result in a temporary increase in liabilities above the planned incremental borrowing for the year. Borrowing in excess of the planned incremental borrowing is permitted provided the position is temporary and that TfL remains within the Authorised Limit at all times (i.e. it reflects the temporary utilisation of headroom between the planned incremental borrowing and the legal limit on TfL's liabilities).

5.16 The Code requires that upper and lower limits are set for the mix of fixed and variable rate borrowing, and for the maturity structure of fixed rate borrowings to manage interest rate risk. These are established by a separate Prudential Indicators document approved by the Mayor.

LIABILITY MANAGEMENT

5.17 TfL will seek to buyback, refinance, or otherwise restructure, existing liabilities (including finance leases) where doing so represents value for money, or will improve the structure of TfL's liabilities, or facilitate changes to TfL's corporate structure.

5.18 TfL may pre-pay or refinance loans or re-purchase or redeem existing debt instruments in accordance with the delegated authorities set out in TfL Standing Orders

5.19 Any liability management exercise in excess of these limits will be subject to the approval of the Finance and Policy Committee.

MINIMUM REVENUE PROVISION

5.20 The Minimum Revenue Provision (MRP) is a Government mandated mechanism requiring local authorities to set aside an amount from current revenue resources in relation to future debt repayment.

5.21 TfL has a duty to determine for the current financial year an amount of minimum revenue provision that it considers to be 'prudent' in relation to debt service obligations. The MRP policy has to be approved by the Board each year.

5.22 TfL will apply the principles inherent in the statutory guidance on MRP, to make an annual provision in Transport for London (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation. MRP is charged to TfL's General Fund in relation to assets in the Corporation which are currently funded by borrowings. No provision is required in respect of borrowings used to fund capex in TfL subsidiaries, as MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities.

6 RISK MANAGEMENT STRATEGY 2016/17

6.1 TfL is materially exposed to a number of specific financial risks in the ordinary course of business, arising from the borrowing programme, the capital investment programme and certain ongoing contractual obligations. There is significant potential to reduce costs and add value to TfL by managing financial risks more effectively.

6.2 Under Section 49 of the Transport for London Act 2008 (the TfL Act), TfL was conferred powers to make arrangements for risk mitigation.

6.3 This Risk Management Strategy 2015/16 provides for measures to address identifiable financial risks that fall within the categories outlined below:

(a) interest rate risk related to TfL's planned future borrowing requirements;

(b) exchange rate risk related to specific currency exposures arising from the procurement of goods or services by the TfL Group; from receipts of European Union (EU) subsidies or other grants / revenues payable other than in Sterling; and in the course of making foreign currency investments; and,

(c) commodity price/rate risk related to specific procurements containing a significant cost element for a commodity component and/or ongoing operational procurements such as power and fuel.

6.4 The high level principles established by this Risk Management Strategy 2016/17 are to:

(a) achieve greater value for money through reducing costs or protecting revenues;

(b) reduce volatility / increase certainty relating to the impact of financial risks upon the business plan; and

(c) holistically manage financial risks across the whole of TfL.

6.5 Where TfL arranges derivative investments through its subsidiary, Transport for London Finance Limited, it may put in place intra-group arrangements to confer the benefit of those derivative investments to the TfL entity bearing the underlying risk.

6.6 Under the TfL Group Policy relating to the use of Derivative Investments, the Finance and Policy Committee have delegated authority from the TfL Board to approve:

(a) entering into (i) any derivative investment; or (ii) a programme of derivative investments; and

(b) entities that may be added to the Derivative Counterparty List.

7 COUNTERPARTY EXPOSURE LIMITS

7.1 Approved investment and derivative intruments must be undertaken within the counterparty credit limits in the table below:

Counterparty Type	**S&P**	**Moody's**	**Fitch**	**Investment Limit per counterparty (£m)**	**Maximum tenor of investment**	**Derivative Limit per counterparty (£m)**	**CSA Threshold for New Derivative Counterparties***
UK Sovereign and UK Government Guaranteed				Unlimited	Unlimited	n.a.	n.a.
Money Market Fund	AAA	Aaa	AAA	3.5% of fund	Max 7 day (normally Instant access)	n.a.	n.a.
Non-UK Sovereigns and SSAs	AAA	Aaa	AAA	300	3 years	n.a.	n.a.
	AA+	Aa1	AA+	250	3 years	n.a.	n.a.
	AA	Aa2	AA	200	3 years	n.a.	n.a.
	AA-	Aa3	AA-	175	3 years	n.a.	n.a.
	A+	A1	A+	150	2 years	n.a.	n.a.
	A	A2	A	125	12 months	n.a.	n.a.
	A-	A3	A-	100	12 months	n.a.	n.a.
	BBB+	Baa	BBB+	0	n.a.	n.a.	n.a.
Banks	AAA	Aaa	AAA	300	12 months	400	50
	AA+	Aa1	AA+	250	12 months	400	40
	AA	Aa2	AA	200	12 months	350	40
	AA-	Aa3	AA-	175	12 months	250	40
	A+	A1	A+	150	12 months	200	25
	A	A2	A	125	12 months	175	25
	A-	A3	A-	100	12 months	150	20
	BBB+	Baa	BBB+	0	n.a.	0	0
Corporates	AAA	Aaa	AAA	150	12 months	n.a.	n.a.
	AA+	Aa1	AA+	125	12 months	n.a.	n.a.
	AA	Aa2	AA	100	12 months	n.a.	n.a.
	AA-	Aa3	AA-	87.5	12 months	n.a.	n.a.
	A+	A1	A+	75	6 months	n.a.	n.a.
	A	A2	A	62.5	6 months	n.a.	n.a.
	A-	A3	A-	50	6 months	n.a.	n.a.
	BBB+	Baa	BBB+	n.a	n.a.	n.a.	n.a.

** Will apply to new derivative counterparty ratings at the time the Credit Support Annex (CSA) is entered into.*

7.2 Counterparty exposure limits apply to entities on the Approved Investment List 2016/17 and the Approved Derivative Counterparty List 2016/17.

7.3 Where an instrument benefits from a UK Government Guarantee, the limit will be that for UK Government Guaranteed rather than the entity guaranteed by the UK Government.

7.4 Where an investment instrument benefits from collateral arrangements, for example, Reverse-Repurchase Agreement (Repos), the investment exposure will be calculated based on maximum expected movements in the value of collateral with a 99% confidence level and not the face value of the sum invested. When TfL enters into repo agreements with banks it receives UK Gilts as collateral for the cash invested. The amount of collateral is monitored by Euroclear, and automatically topped up each day so after the top up TfL has 100% of the notional value covered by gilts held on account at Euroclear through TfL's HSBC securities custody account. TfL's exposure to the banks is limited to the price movement on the gilts until the top up occurs each day. The counterparty exposure will be increased to 5% of notional value going forward.

7.5 In exceptional circumstances the applicable limit for TfL's clearing bank may be temporarily exceeded, for example where cash is available for investment after the daily deadline for deposits with the DMO has passed. Any such circumstance will be immediately notified to the Chief Finance Officer.

7.6 Where a counterparty has a split rating, the Limit for each rating is calculated as the average of the relevant Limits for each rating available, i.e. the limit is derived by taking the sum of one third of the applicable limit for each rating agency. For investments, the maximum tenor calculation will follow the same manner.

7.7 TfL calculates its derivative counterparty exposures based on accepted market methodology. The current fair market value (FMV) of each derivative is added to the potential future exposure (PFE). The PFE is calculated based on the maximum counterparty exposure assuming a 95% confidence level of possible future movements in interest rates. TfL uses a static data table which is reviewed periodically.

7.8 If the Credit Limit applicable to a counterparty changes while TfL has an outstanding investment or derivative with that counterparty, TfL may seek to bring its exposure down to within the revised limits but a breach of limits caused by such a change will not be considered a breach of this policy. TfL may at the Director of Group Treasury's discretion (in consultation with the Chief Finance Officer) decide to allow an investment or derivative to run its course for economic reasons.

TREASURY MANAGEMENT STRATEGY ~~2015/16~~2016/17

TRANSPORT FOR LONDON

TREASURY MANAGEMENT STRATEGY ~~2015/16~~2016/17

1 SUMMARY

1.1 This TfL Treasury Management Strategy (TMS) ~~2015/16~~2016/17 comprises the:

(a) Investment Strategy ~~2015/16~~2016/17;

(b) Borrowing Strategy ~~2015/16~~2016/17; and,

(c) Risk Management Strategy ~~2015/16~~2016/17.

2 BACKGROUND INFORMATION

2.1 TfL has had regard to the key recommendations of CIPFA's Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services 2011 (the 'Code') and the revised investment guidance issued by the Department for Communities and Local Government (DCLG) which came into effect from 1 April 2010 (DCLG Guidance) in preparing this Treasury Management Strategy.

2.2 As recommended by the Code, this strategy will be updated at least annually and submitted for the approval of the TfL Board.

2.3 TfL has considered the implications of its overall asset and liability management, taking into account its overall exposure to inflation~~ and~~, interest rates and currencies as they affect its commercial markets (passenger levels, fare revenues, and costs) and in its financial activities (financing costs and investment returns on cash balances).~~ TfL has also reviewed its exposure to default risk in the investment of its surplus cash given the instability of the financial markets over the last year.~~

2.4 TfL continues to add to its sources of market information to enable it to support its future investment decisions and continues to seek prudent opportunities to maintain yield without risking underlying security.

2.5 The Director of Group Treasury and TfL Group Treasury officers will implement, operate and administer the Treasury Management Strategy (including entering into any documentation where appropriate).

2.6 For the purposes of this document TfL Officers means the Commissioner, Chief Finance Officer, General Counsel and Director of Group Treasury.

3 STRATEGIC OBJECTIVES

3.1 The objectives underpinning the TMS ~~2015/16~~2016/17 are:

(a) to ensure that sufficient cash is available to enable TfL to discharge its financial obligations when they become due, in accordance with approved spending plans;

(b) to undertake treasury management operations with primary regard for the security and liquidity of capital invested;

(c) to maximise the yield from investments consistent with the security and liquidity objectives identified above;

(d) ~~to ensure that sufficient cash is available to enable TfL to discharge its financial obligations when they become due, in accordance with approved spending plans;~~

(e) to undertake treasury management activity having regard to Prudential Indicators;

(f) to secure TfL's funding requirements by accessing the most cost efficient source of finance, while ensuring TfL has flexibility and sufficient alternatives not to be dependent on any particular source; and

(g) to use TfL's statutory power relating to risk management to achieve greater value for money through reducing costs or protecting revenues, reducing volatility / increasing certainty in the Business Plan and to ~~holistically~~ manage treasury financial risks across the whole of TfL.

4 INVESTMENT STRATEGY ~~2015/16~~2016/17

4.1 All cash balances will be invested in accordance with this Investment Strategy and with regard to the relevant DCLG Guidance.

4.2 Group Treasury applies this Investment Strategy in accordance with the TMS strategic objectives listed in 3.1 above.

4.3 All references to investments in the Treasury Management Stratgegy refer exclusively to those listed in the TfL 'Approved Investment List'. Investments are limited to ~~institutions~~counterparties and types of investment that have been placed on a TfL 'Approved Investment List'.~~-~~ Investments may be made in any wholly owned subsidiary or its publicly listed borrowing programmes which either (a) has the same or better credit rating as, or (b) is guaranteed by the counterparty listed in the Approved Investments List, within the parent institution's aggregate investment limit. If a subsidiary has a higher rating than its parent, then that subsidiary will benefit from the higher rating, but this will not affect the overall group rating or the group investment limit.

4.4 The Finance and Policy Committee will approve entities and types of investment that may be added to the Approved Investment List.

4.5 In determining whether to recommend to the Finance and Policy Committee to place an institution on the Approved Investment List, ~~TfL Officers~~consideration will ~~consider~~be made of:

(a) the financial position and jurisdiction of the institution:

(b) the market pricing of credit default swaps for the institution;

(c) any implicit or explicit Government support for the institution;

(d) Standard & Poor's, Moody's and Fitch's short and long term credit ratings; and

(e) Tier 1 capital ratios in the case of financial institutions.

4.6 Investments that either exceed one year or are in currencies other than Sterling, are limited to use within the following criteria:

(a) where the maturity is greater than one year:

(i) any such investments would be in Sterling, so the potential risk for TfL is one of liquidity – that TfL requires the funds that are tied up in longer term investments. Given the nature of the institutions (in some cases government or government guaranteed) the risk of default is very low;

(ii) before placing such longer term investments, TfL would carry out a detailed cash forecast to determine the need for funds over a longer time period, and only place funds for longer than one year where it was confident on the most conservative basis that the monies would not be required in the meantime; and,

(iii) any such investments will be instruments which ~~would~~could be readily converted into cash to obtain liquidity, should such a need arise;

(b) where investments are in currencies other than Sterling:

~~(i) investments denominated in US Dollars (USD) or Euros are permitted up to a maximum amount of £100m equivalent, when funds are received in those currencies in the normal course of business and where TfL is expected to have costs in those currencies in the future;~~

~~(ii)~~(i) investments in any currency where the currency is bought in advance of a payment or payments in that currency (for example, if TfL has several payments in Euros (EUR) within a matter of weeks and it is more cost effective to buy a single tranche of Euros to cover all of the payments rather than buy several smaller amounts on the days each payment is required); or

~~(iii)~~(ii) investments denominated in ~~EUR or USD and~~currencies other than Sterling are swapped back to GBP as a matter of course after taking into account of any natural offsets TfL has to the foreign currency as appropriate.

LIQUIDITY OF INVESTMENTS

4.7 TfL will manage its cash to ensure that a minimum of £250m is available for redemption on any business day to ensure TfL has sufficient liquidity to meet its financial obligations.

4.8 Each investment decision will be made with regard to expected cash flow requirements resulting in a range of maturity periods within the investment portfolio.

4.9 Where the Director of Group Treasury, in consultation with ~~Managing Director, Finance and/or~~ Chief Finance Officer, deems such a step is appropriate in order to protect TfL against potential losses, TfL may break or resell fixed term investments early, including where doing so will result in TfL incurring penalties or crystallising a loss.

4.10 Where the Director of Group Treasury, in consultation with the MD Finance or the Chief Finance Officer, deems it appropriate, TfL may break or sell fixed term investment instruments as part of a switch into similar instruments where doing so offers a positive investment return. For example, TfL may have the opportunity to sell a holding of T-bills of a particular maturity and buy T-bills with a slightly different maturity with a better return. Market opportunities such as this arise reasonably frequently where market dynamics result in high demand for particular instruments.

4.11 As recommended by the Code, TfL establishes a limit on sums that are invested for periods longer than 364 days. These are establised by a separate Prudential Indicators document approved by the Mayor.

4.12 Without further reference to the Finance and Policy Committee, the Director of Group Treasury and/or TfL Group Treasury officers may enter into any investment related agreements and/or documentation required to execute the Investment Strategy.

5 BORROWING STRATEGY ~~2015/16~~2016/17

5.1 TfL's objective is to manage its borrowing in a manner that combines flexibility, security of access to funds, diversity of funding sources and value for money. TfL seeks to achieve this by maintaining access to capital markets through its Euro Commercial Paper (ECP) programme and Euro Medium Term Note (EMTN) programme, and complementing this with loans and other facilities from banks where appropriate. TfL's borrowing plans are ultimately underpinned by access to the Public Works Loan Board (PWLB); other sources of funding will be used where they further TfL's stated objectives (i.e. offer better value for money, flexibility, security of access or diversity of funding sources).

5.2 TfL recognises the value of its strong credit rating in facilitating low cost debt finance and other financial instruments and intends to maintain its credit rating relative to that of the UK Government.

~~5.3~~ TfL ~~intends to build upon the success of the liquid, benchmark sized bonds issued under its EMTN programme where this represents good value for money.~~

~~5.4~~5.3 ~~TfL intends to~~ will borrow ~~an additional £600m in 2015/16 (~~in accordance with the ~~2013~~prevailing funding settlement~~). £85m of this~~ letter from central government . All borrowing ~~has already been arranged and approved and will be drawn in May 2015 from the European Investment Bank (EIB) under the fixed rate loan in support of the London Overground Capacity Improvement Programme (LOCIP). The balance of TfL's borrowing for the year~~ will be drawn from the TfL's Approved Borrowing Sources. Subject to HM Treasury approval TfL could defer all or part of the incremental borrowing to the following financial year, providing that it gives a notice to HM Treasury prior to the end of the financial year.

~~5.5~~5.4 TfL's Approved Borrowing Sources[1] comprise:

(a) the PWLB or any future body replacing the PWLB;

(b) TfL's EMTN programme;

(c) TfL Notes issued into the US or to US persons pursuant to an exemption from the requirement to register with the US Securities and Exchange Commission (including pursuant to Rule 144A, Section 4(a)(2) and/or Regulations D of the US Securities Act of 1933 (SEC Exemption Issuance), as amended);

~~(c)~~(d) TfL Notes issued under ~~standalone~~stand alone documentation (including private placements);

~~(d)~~(e) TfL's ECP programme;

~~(e)~~(f) EIB or commercial bank loans;

~~(f)~~(g) Export Development Canada (EDC) and other export credit agencies;

~~(g)~~(h) A Commercial Paper Back-Stop Facility (CPBF);

~~(h)~~(i) A Revolving Credit Facility (RCF) of up to £1bn; and

~~(i)~~(j) A £200m overdraft facility with HSBC;

~~5.6~~5.5 Additional sources of borrowing may only be added to the Approved Borrowing Sources with the approval of the Finance and Policy Committee.

5.6 Any permitted borrowing in currencies other than Sterling will be swapped back into Sterling as soon as practically possible, subject to favourable market

[1] For the avoidance of doubt, TfL may borrow in Sterling and foreign currencies subject to receipt of approval from HM Treasury in relation to the latter.

conditions. In instances where market conditions do not allow the execution of the hedging transaction soon after the net proceeds are received, the foreign currency proceeds will be invested in money market instruments, consistent with the principles of the TfL's Investment Strategy.

5.7 The Finance and Policy Committee's approval is required for any newly arranged facility (but not facilities being renewed) through the EIB, commercial banks, EDC or other export credit agencies.

5.8 Issuance under TfL's EMTN programme or the issuance of Notes using standalone documentation ~~are both~~or any SEC Exemption Issuance are permitted subject to the prior written approval of ~~Managing Director, Finance or~~ Chief Finance Officer provided that:

(a) any such issuance is in accordance with any relevant parameters set out in the Treasury Management Strategy ~~2015/16~~2016/17; and,

~~(b) Officers consult with~~ as many Members of the Finance and Policy Committee as are available~~,~~ will be consulted on~~:~~

~~(i)~~ the proposed term and amount of such Note issuance in advance of issuance~~; and~~

~~(c)~~(b) ~~the need for any Supplemental Prospectus prior to the proposed Note issuance~~.

5.9 Approval and entry into of any required agreements or other documentation (including any associated Prospectus, supplemental Prospectus or Information Memorandum) in relation to the implementation of permitted borrowing in relation to CPBF, RCF, the EMTN Programme ~~or~~, ECP Programme, SEC Exemption Issuance or any notes issued under ~~standalone~~stand alone documentation is delegated directly from the Board to TfL Officers.

5.10 The prior written approval of ~~Managing Director, Finance or~~the Chief Finance Officer is required for any new borrowing from the PWLB, or any future body replacing the PWLB.

5.11 Without further reference to the Finance and Policy Committee, TfL will use the ECP programme and any other short-term facilities approved by the Finance and Policy Committee (e.g. overdraft or commercial paper back-stop facilities or revolving credit facilities for the amounts agreed with the Finance and Policy Commitee), to meet its short-term liquidity requirements pending the execution of longer-term borrowing agreed with the Finance and Policy Committee.

5.12 TfL will normally arrange new short-term borrowings to replace short-term borrowings falling due for repayment. In order to limit the liquidity risk that this creates TfL manages maturites such that no more than £200m of short-term borrowings falls due for repayment in any three day period.

5.13 The overdraft facility will not be used in the normal course of business, but only for short periods to meet unexpected liquidity requirements. The ~~Managing Director,~~Chief Finance Officer will be notified immediately of any drawing of more than £20m on the overdraft facility.

5.14 As required by the Local Government Act 2003, at all times, the aggregate of all of TfL's liabilities will be within the Authorised Limit set by the Mayor and adopted by the Board.

5.15 Where TfL is issuing new medium or long-term debt, or refinancing existing debt, it may be necessary or commercially desirable to draw the new debt prior to the repayment of the debt being refinanced, which may result in a temporary increase in liabilities above the planned incremental borrowing for the year. Borrowing in excess of the planned incremental borrowing is permitted provided the position is temporary and that TfL remains within the Authorised Limit at all times (i.e. it reflects the temporary utilisation of headroom between the planned incremental borrowing and the legal limit on TfL's liabilities).

5.16 The Code requires that upper and lower limits are set for the mix of fixed and variable rate borrowing, and for the maturity structure of fixed rate borrowings to manage interest rate risk. These are established by a separate Prudential Indicators document approved by the Mayor.

LIABILITY MANAGEMENT

5.17 TfL will seek to buyback, refinance, or otherwise restructure, existing liabilities (including finance leases) where doing so represents value for money, or will improve the structure of TfL's liabilities, or facilitate changes to TfL's corporate structure.

5.18 TfL may pre-pay or refinance loans or re-purchase or redeem existing debt instruments in accordance with the delegated authorities set out in TfL Standing Orders

5.19 Any liability management exercise in excess of these limits will be subject to the approval of the Finance and Policy Committee.

MINIMUM REVENUE PROVISION

5.20 The Minimum Revenue Provision (MRP) is a Government mandated mechanism requiring local authorities to set aside an amount from current revenue resources in relation to future debt repayment. ~~The MRP policy has to be approved by the Board each year.~~

5.21 TfL has a duty to determine for the current financial year an amount of minimum revenue provision that it considers to be 'prudent' in relation to debt service obligations. The MRP policy has to be approved by the Board each year.

~~5.22 TfL's policy on MRP remains unchanged from 2013/14. That is to treat debt service (interest and principal) in its business plan as an in-year operating cost. As TfL has a legal requirement to produce a balanced budget (and this approach had been extended to the full business plan), the cost of debt service is taken into account when determining whether annual budget and business plans are in balance.~~

5.22 TfL will apply the principles inherent in the statutory guidance on MRP, to make an annual provision in Transport for London (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation. MRP is charged to TfL's General Fund in relation to assets in the Corporation which are currently funded by borrowings. No provision is required in respect of borrowings used to fund capex in TfL subsidiaries, as MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities.

6 RISK MANAGEMENT STRATEGY ~~2015/16~~2016/17

6.1 TfL is materially exposed to a number of specific financial risks in the ordinary course of business, arising from the borrowing programme, the capital investment programme and certain ongoing contractual obligations. There is significant potential to reduce costs and add value to TfL by managing financial risks more effectively.

6.2 Under Section 49 of the Transport for London Act 2008 (the TfL Act), TfL was conferred powers to make arrangements for risk mitigation.

6.3 This Risk Management Strategy ~~2014/15~~2015/16 provides for measures to address identifiable financial risks that fall within the categories outlined below:

(a) interest rate risk related to TfL's planned future borrowing requirements;

(b) exchange rate risk related to specific currency exposures arising from the procurement of goods or services by the TfL Group; from receipts of European Union (EU) subsidies or other grants / revenues payable other than in Sterling; and in the course of making foreign currency investments; and,

(c) commodity price/rate risk related to specific procurements containing a significant cost element for a commodity component and/or ongoing operational procurements such as power and fuel.

6.4 The high level principles established by this Risk Management Strategy ~~2015/16~~2016/17 are to:

(a) achieve greater value for money through reducing costs or protecting revenues;

(b) reduce volatility / increase certainty relating to the impact of financial risks upon the business plan; and

(c) holistically manage financial risks across the whole of TfL.

6.5 Where TfL arranges derivative investments through its subsidiary, Transport for London Finance Limited, it may put in place intra-group arrangements to confer the benefit of those derivative investments to the TfL entity bearing the underlying risk.

6.6 Under the TfL Group Policy relating to the use of Derivative Investments, the Finance and Policy Committee have delegated authority from the TfL Board to approve:

(a) entering into (i) any derivative investment; or (ii) a programme of derivative investments; and

(b) entities that may be added to the Derivative Counterparty List.

7 COUNTERPARTY ~~CREDIT~~EXPOSURE LIMITS

7.1 Approved investment and derivative intruments must be undertaken within the counterparty credit limits in the table below:

Counterparty Type	S&P	Moody's	Fitch	Investment Limit per counterparty (£m)	Maximum tenor of investment	Derivative Limit per counterparty (£m)	CSA Threshold for New Derivative Counterparties*
UK Sovereign and UK Government Guaranteed				Unlimited	Unlimited	n.a.	n.a.
Money Market Fund	AAA	Aaa	AAA	3.5% of fund	Max 7 day (normally Instant access)	n.a.	n.a.
Non-UK Sovereigns and SSAs	AAA	Aaa	AAA	300	3 years	n.a.	n.a.
	AA+	Aa1	AA+	250	3 years	n.a.	n.a.
	AA	Aa2	AA	200	3 years	n.a.	n.a.
	AA-	Aa3	AA-	175	3 years	n.a.	n.a.
	A+	A1	A+	150	2 years	n.a.	n.a.
	A	A2	A	125	12 months	n.a.	n.a.
	A-	A3	A-	100	12 months	n.a.	n.a.
	BBB+	Baa	BBB+	0	n.a.	n.a.	n.a.
Banks	AAA	Aaa	AAA	300	12 months	400	50
	AA+	Aa1	AA+	250	12 months	400	40
	AA	Aa2	AA	200	12 months	350	40
	AA-	Aa3	AA-	175	12 months	250	40
	A+	A1	A+	150	12 months	200	25
	A	A2	A	125	12 months	175	25
	A-	A3	A-	100	12 months	150	20
	BBB+	Baa	BBB+	0	n.a.	0	0
Corporates	AAA	Aaa	AAA	150	12 months	n.a.	n.a.
	AA+	Aa1	AA+	125	12 months	n.a.	n.a.
	AA	Aa2	AA	100	12 months	n.a.	n.a.
	AA-	Aa3	AA-	87.5	12 months	n.a.	n.a.
	A+	A1	A+	75	6 months	n.a.	n.a.
	A	A2	A	62.5	6 months	n.a.	n.a.
	A-	A3	A-	50	6 months	n.a.	n.a.
	BBB+	Baa	BBB+	n.a	n.a.	n.a.	n.a.

** Will apply to new derivative counterparty ratings at the time the Credit Support Annex (CSA) is entered into.*

7.2 Counterparty ~~credit~~exposure limits apply to entities on the Approved Investment List ~~2015/16~~2016/17 and the Approved Derivative Counterparty List ~~2015/16~~2016/17.

7.3 Where an instrument benefits from a UK Government Guarantee, the limit will be that for UK Government Guaranteed rather than the entity guaranteed by the UK Government.

7.4 Where an investment instrument benefits from collateral arrangements, for example, Reverse-Repurchase Agreement (Repos), the investment exposure will be calculated based on maximum expected movements in the value of collateral with a 99% confidence level and not the face value of the sum invested. ~~For example the exposure on daily adjusted repo arrangements will £2.3m per £100m~~ When TfL enters into repo agreements with banks it receives UK Gilts as collateral for the cash invested. The amount of collateral is monitored by Euroclear, and automatically topped up each day so after the top up TfL has 100% of the notional value covered by gilts held on account at Euroclear through TfL's HSBC securities custody account. TfL's exposure to the banks is limited to the price movement on the gilts until the top up occurs each day. The counterparty exposure will be increased to 5% of notional value going forward.

7.5 In exceptional circumstances the applicable limit for TfL's clearing bank may be temporarily exceeded, for example where cash is available for investment after the daily deadline for deposits with the DMO has passed. Any such circumstance will be immediately notified to the ~~Managing Director, Finance and~~ Chief Finance Officer.

7.6 Where a counterparty has a split rating, the Limit for each rating is calculated as the average of the relevant Limits for each rating available, i.e. the limit is derived by taking the sum of one third of the applicable limit for each rating agency. For investments, the maximum tenor calculation will follow the same manner.

7.7 TfL calculates its derivative counterparty exposures based on accepted market methodology. The current fair market value (FMV) of each derivative is added to the potential future exposure (PFE). The PFE is calculated based on the maximum counterparty exposure assuming a 95% confidence level of possible future movements in interest rates. TfL uses a static data table which is reviewed periodically.

~~7.7~~7.8 If the Credit Limit applicable to a counterparty changes while TfL has an outstanding investment or derivative with that counterparty, TfL may seek to bring its exposure down to within the revised limits but a breach of limits caused by such a change will not be considered a breach of this policy. TfL may at the Director of Group Treasury's discretion (in consultation with the ~~Managing Director, Finance and/or~~ Chief Finance Officer) decide to allow an investment or derivative to run its course for economic reasons.

Approved Investment List 2016/17

Sovereigns

1. Australia
2. Austria
3. Canada
4. Denmark
5. Finland
6. France
7. Germany
8. Norway
9. Sweden
10. Switzerland
11. The Netherlands
12. UK Government and its executive agency, the Debt Management Office (DMO)
13. United Sates of America
14. Kingdom of Belgium

Money Market Funds

15. Aberdeen Sterling Liquidity Fund / Aberdeen Liquidity Fund (Lux)
16. BlackRock Institutional Sterling Government Liquidity Fund
17. BlackRock Institutional Sterling Liquidity Fund
18. Deutsche Global Liquidity Series – Sterling Fund
19. Goldman Sachs Sterling Liquid Reserves Fund
20. HSBC Global Liquidity Fund
21. Standard Life Investments Liquidity Fund
22. Insight Liquidity Funds – GBP Liquidity Fund
23. JP Morgan Sterling Liquidity Fund
24. LGIM Liquidity Fund

Supra-nationals

25. Asian Development Bank (ASIA)
26. Council of Europe Development Bank (COE)
27. European Bank for Reconstruction and Development (EBRD)
28. European Investment Bank (EIB)
29. Inter-American Development Bank (IADB)
30. World Bank (International Bank for Reconstruction and Development/IBRD)
31. International Finance Corporation (IFC)
32. Nordic Investment Bank (NIB)

Agencies and Other Issuers

33. Agence Centrale des Organismes de Secuite Social (ACOSS)
34. Bank Nederlandse Gemeenten (BNG)
35. Banque et Caisse d’Epargne de L’Etat (BCEE)
36. Caisse d'Amortissement de la Dette Sociale (Cades)
37. Caisse des Depots et Consignations (CDC)
38. Deutsche Bahn AG
39. Erste Abwicklungsanstalt (EAA)
40. Export Development Canada (EDC)
41. Federal Home Loan Mortgage Corp (Freddie Mac)
42. Federal National Mortgage Association (Fannie Mae)
43. FMS Wertmanagement AoR (FMS)
44. KfW Bankengruppe (KFW)
45. Kommunalbanken AS (KommBank)
46. Kommunekredit (KommCrd)

47. Kommuninvest I Sverige (KommInv)
48. Land Saxony-Anhalt
49. Landeskreditbank Baden-Wuertte Foerderbank (L-Bank)
50. Landwirtschaftliche Rentenbank (Retenbank)
51. Municipality Finance PLC (Kunta)
52. Nederlandse Waterchapsbank (NWB)
53. New South Wales Treasury Corp
54. NRW BANK
55. Network Rail
56. Oesterreichische Kontrollbank
57. Province of Ontario
58. Province of Quebec
59. Queensland Treasury Corp
60. Societe Nationale des Chemins de Fer Francais Mobilités (SNCF Mobilités)
61. South Australia Government Financing Authority
62. Svensk Exportkredit/Swedish Export Credit Corporation (SEK)
63. Tasmanian Public Finance

Banks

64. Bank of America Corporation
65. Barclays Bank plc
66. BNP Paribas SA
67. Citibank NA
68. Cooperatieve Centrale Raiffeisen-Boerenleenbank (RABOBK)
69. Commonwealth Bank of Australia
70. Credit Agricole SA
71. Credit Suisse Group AG
72. Deutsche Bank AG
73. Goldman Sachs Group Inc
74. HSBC Bank plc
75. JPMorgan Chase & Co
76. Lloyds Banking Group plc
77. Mitsubishi UFJ Financial Group Inc
78. Morgan Stanley
79. National Australia Bank Ltd
80. Nomura Holdings Inc
81. Nordea Bank AB
82. Pohjola Bank Oyj / PLC
83. Royal Bank of Canada
84. The Royal Bank of Scotland Plc
85. Societe Generale SA
86. Standard Chartered plc
87. Sumitomo Mitsui Financial Group
88. Svenska Handelsbanken AB
89. Toronto Dominion Bank
90. UBS AG

Corporates

91. Air Liquide SA
92. Apple Inc
93. Astrazeneca PLC
94. Automatic Data Processing (ADP)
95. BASF SE
96. BP PLC
97. CDP Financial
98. Centrica PLC
99. The Coca-cola Co.

100. CPPIB Capital Inc.
101. Electricite de France (EDF)
102. ExxonMobil Corporation
103. Engie SA
104. General Electric Co (GE)
105. Honeywell International Inc.
106. IBM Corp.
107. Johnson & Johnson
108. Microsoft Corporation
109. Nestle SA
110. Pfizer Inc.
111. The Procter & Gamble Company (P&G)
112. Roche Holdings AG
113. Total SA
114. Sanofi
115. Schlumberger Ltd
116. Siemens AG
117. Unilever PLC / Unilever NV
118. United Parcel Services Inc (UPS)
119. Vattenfall AB
120. Wal-Mart Stores Inc

Including any wholly owned subsidiary or its debt which either (a) has the same or better credit rating as, or (b) is guaranteed by, the counterparties listed above.

Investment instruments

(i) Government Treasury Bills and bonds;

(ii) UK Debt Management Office deposits;

(iii) repurchase agreements ("Repos") on UK Government Treasury Bills and Gilts;

(iv) bank deposits and certificates of deposit;

(v) bonds and commercial paper; and

(vi) Money Market Funds (MMFs).

Appendix 4

Approved Derivative Counterparty List 2016/17

1. Bank of Tokyo-Mitsubishi UFJ Ltd
2. Barclays Bank plc
3. BNP Paribas SA
4. Citibank NA
5. Commonwealth Bank of Australia
6. Credit Agricole SA
7. Credit Suisse International
8. Deutsche Bank AG
9. Goldman Sachs International
10. HSBC Bank plc
11. JPMorgan Chase Bank NA
12. Lloyds Banking Group plc
13. Merrill Lynch International (Bank of America)
14. Morgan Stanley
15. National Australia Bank Ltd
16. Nomura International PLC
17. Nordea Bank AB
18. Royal Bank of Canada
19. The Royal Bank of Scotland
20. Societe Generale SA
21. Sumitomo Mitsui Banking Corp
22. Toronto Dominion Bank
23. UBS AG

Including any wholly owned subsidiary which either (a) has the same or better credit rating as, or (b) is guaranteed by, the counterparties listed above.