Liability Management Policy and Investment Policy

Liability Management Policy

Introduction

The purpose of this Policy is to outline the level and nature of risks that are acceptable to us, and to control and manage borrowing costs, liquidity requirements and risks associated with treasury management activities.

Council is required to prepare and adopt a Liability Management Policy under section 102(2)(b) of the Local Government Act 2002 (LGA). The Liability Management Policy must state (s104 LGA) our policies in respect of the management of both borrowing and other liabilities, including:

- debt repayment
- interest rate exposure
- liquidity
- credit exposure

The Liability Management Policy focuses on treasury borrowing (external and internal) as this is the most significant component of our liabilities and exposes us to the greatest risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and for determining future borrowing requirements.

Council responsibilities

Council approves this Policy and any changes to this Policy.

In addition, Council has responsibility for:

- Approving our long-term financial position through the Long-term Plan (LTP) and associated Financial Strategy along with the adopted Annual Plan
- Approving delegations to the Chief Executive Officer (CEO)
- Approving the Terms of Reference for the Finance and Performance Committee of the Whole to delegate roles such as receiving quarterly reports on treasury activities and risks
- Approving transactions falling outside any delegated authority.

Chief Executive Officer (CEO) responsibilities

Council delegates authority to the CEO as stated in its published Delegations Register.

In addition to the specifically delegated authorities, Council expects the CEO to:

- Review this Policy at least once every three years and ensure it remains consistent with existing and new legislation
- Ensure compliance with this Policy
- Report quarterly to Council or an appropriate Council committee on debt and liquidity levels, interest rate risk, and other issues including any non-compliance with this Policy
- Receive advice of any non-compliance with this Policy, and any significant events, from the CFO
- Sign compliance certificates under borrowing and hedging agreements (including under section 118 of the Local Government Act 2002), and instructions to the Trustee under Council's Debenture Trust Deed, as required.

The CEO delegates authority to staff as stated in Council's published Delegations Register.

Borrowing limits

Council has an obligation to report against the financial prudence benchmarks set out in the Local Government (Financial Reporting and Prudence) Regulations 2014. We apply five additional debt benchmarks as shown below, the first four of which are also used to satisfy financial covenants agreed with the Local Government Funding Agency (LGFA). These are set by the foundation policies in Schedule 1 of LGFA's Shareholders' Agreement. Tighter limits apply if our long-term credit rating falls below 'A'. Standard & Poor's review in December 2023 confirmed Council's credit rating as AA (Stable).

Measure	Limit
Net Debt / Total Revenue	<290% (2024) <285% (2025) <280% (2026 on)
Net interest / Total revenue	<20%
Net interest / Annual rates income	<30%
Liquidity	>110%
Net Debt / Equity	< 20%

Definitions of these terms and guidance on their measurement are set out in Appendix 1. They are measured at the parent level unless agreed otherwise with LGFA. Council reports annually to LGFA on covenant compliance.

Our Long-term Plan (LTP) and Annual Plan (AP) report planned financial performance against these benchmarks and should include projected revenue, interest, debt and liquidity over the LTP period at levels that will not cause a forecast breach in any future year, or clearly identify where these benchmarks are not met and why.

Our treasury function will support compliance with the liquidity covenant by reporting quarterly to Council, or an appropriate Council committee, on ongoing compliance.

Our Annual Report reports against these benchmarks for the previous financial year.

Borrowing mechanism

Council is able to externally borrow through a variety of market mechanisms including issuing bonds and commercial paper (CP), direct bank borrowing, borrowing from LGFA, or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing), the following is taken into account:

- Available terms from banks, LGFA, and debt capital markets;
- The potential to align borrowing with Council's broader ESG or climate resilience objectives;
- Our overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time;
- Prevailing interest rates and margins for different borrowing terms;
- The outlook for future interest rate and credit margin movements;
- Legal documentation and financial covenants together with security and credit rating considerations;
- Council may internally borrow from reserve funds in the first instance to meet future capital expenditure requirements.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation must take into consideration, ownership, redemption value and effective cost of funds.

Our ability to readily attract cost-effective borrowing is largely driven by our ability to rate, maintain a strong credit rating and manage relationships with our investors, LGFA, and financial institutions/brokers.

Security

Under a Debenture Trust Deed, our borrowing, committed bank facilities and potential liabilities under International Swaps and Derivatives Association (ISDA) contracts are secured by a charge over all our rates levied under the Local Government (Rating) Act 2002. Creditors holding that security under the Debenture Trust Deed rank equally or *pari passu* with other lenders.

From time to time, and with Council approval, security may be offered by providing a charge over one or more of our assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset, which it funds (e.g. project finance);

- We consider a charge over physical assets to be appropriate;

Any pledging of physical assets must comply with the terms and conditions contained within the security arrangement.

Maturing debt

Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Debt managed on net portfolio basis

Council manages debt on a net portfolio basis. In general, individual borrowing deals will not be associated with particular projects or spending. Where the interest expense associated with borrowing can be claimed as a tax deduction, we will borrow specifically for that particular project or spending.

Council rates to repay debt over a period of thirty years, except for borrowing in relation to CCO equity or on-lending. For CCO equity and on-lending we plan to repay only interest, not the principal. This is set out in our Revenue and Financing Policy.

Guarantees / contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, Trusts, or Business Units, when the purposes of the loan are in line with our strategic objectives.

We hold un-called redeemable preference shares in CCHL, which exist to support CCHL's credit-worthiness and ensure that it can obtain services and funding at an efficient cost.

Council is not allowed to guarantee loans to CCTOs under section 62 of the Local Government Act 2002.

Other financial arrangements include advances to community organisations and trusts (see Investment Policy).

New Zealand Local Government Funding Agency (LGFA) Limited

Under its shareholding agreement with LGFA, Council has agreed to:

- Provide guarantees of the indebtedness of other local authorities to LGFA, and of the indebtedness of LGFA itself;
- Secure its borrowings from LGFA (and the performance of other obligations to LGFA or its creditors) with a charge over its rates and rates revenues; and
- Each time the Council borrows from LGFA, contribute a portion of that borrowing back to LGFA as an equity contribution (i.e. in the form of Borrower Notes).

To the extent that we consider it necessary or desirable, we may also commit to contributing additional equity (or subordinated debt), and/or subscribe for shares and uncalled capital in LGFA.

Approved financial instruments

Approved financial instruments (which do not include shares or equities) are shown in the following table.

Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved.

Category	Instrument
Cash management and external borrowing	Bank deposits Bank overdraft Bank term loans Committed standby facilities from banks and/or LGFA Bond issuance (floating or fixed rate) Commercial paper issuance NZD denominated Private Placement Loans Forward starting committed debt with the LGFA
Interest rate risk management	Forward rate agreements (FRAs) on bank bills Interest rate swaps (including forward-starting swaps) Interest rate options on: • Bank bills (purchased caps and one for one collars) • Interest rate swaptions (purchased swaptions and one for one collars only)

Interest rate risk

Risk recognition

Interest rate risk is the risk that funding costs will materially exceed projections included in the LTP or Annual Plan (due to adverse movements in market wholesale interest rates) and adversely impact revenue and expense projections, cost control and capital investment decisions/returns/feasibilities.

The primary objective of interest rate risk management is to reduce uncertainty relating to the impact of interest rate movements on interest expense, through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Our forecast external debt (net of any forecast external debt to fund on-lending to CCOs, but gross of any investments) should be within the following fixed/floating interest rate risk control limits.

We may pre-hedge in advance of projected physical drawdown of new debt. When approved forecasts are changed, the amount of fixed rate hedging in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

- Fixed Rate is defined as all known interest rate obligations on forecast external debt (net of forecast external debt to fund on-lending to CCOs), including hedging instruments. Floating Rate is defined as any interest rate obligation that is subject to movements in the applicable reset rate.
- Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast external debt amounts for the given period (as defined in the above table).

Debt Interest Rate Policy Parameters		
Debt Period Ending	**Minimum Fixed**	**Maximum Fixed**
0 – 1 Year	40%	95%
1 - 2 Years	35%	90%
2 - 3 Years	30%	85%
3 - 4 Years	25%	80%
4 - 5 Years	20%	75%
5 - 6 Years	0%	70%
6 - 7 Years	0%	65%
7 - 8 Years	0%	60%
8 - 9 Years	0%	55%
9 - 10 Years	0%	50%
10 - 11 Years	0%	45%
11 - 12 Years	0%	40%
12 - 13 Years	0%	35%
13 - 14 Years	0%	30%
14 - 15 Years	0%	25%

- A fixed rate maturity profile that is outside the above risk parameters, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile outside the risk parameters for more than 90 days requires specific approval by the Council.

- Interest rate swap maturity is limited by the maximum offered LGFA Bond maturity. Council approval is required before entering interest rate swaps with maturities beyond that date. Hedging is to be achieved through the use of approved interest rate risk management instruments.
- Interest rate options must not be sold outright. However, one for one collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate in-the-money.
- Interest rate options that have a strike rate (exercise rate) higher than 2% above the corresponding market interest rate cannot be counted as part of the fixed-rate hedge percentage calculation.

Liquidity risk/funding risk

Risk recognition

Management of cash flow deficits in various future periods as identified in long term financial forecasts is reliant on the maturity structure of cash, short-term financial investments, borrowings and committed loan facilities.

Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps.

Funding risk management centres on the ability to re-finance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms.

The management of our funding risk is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

- Local Government risk is priced to a higher fee and margin level;
- Our credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons;
- A large individual lender to us experiences its own financial/exposure difficulties resulting us not being able to manage our debt portfolio as optimally as desired;
- New Zealand investment community experiences a substantial over-supply of council investment assets;
- Financial market shocks from domestic or global events.

The management of our funding risk is important to mitigate any adverse movement in borrowing margins, term availability and general flexibility.

Where possible, Council seeks a diversified pool of borrowing and ensures that bank funding is only sought from approved strongly rated New Zealand registered banks. Strongly credit rated banks have a short-term and long-term credit rating from Standard & Poor’s (or equivalent) of at least A-1 and A respectively.

Funding risk is primarily controlled by spreading the maturity of existing borrowings over time, so that, in the event of any of the above events occurring, our overall borrowing cost and maturity is not significantly compromised.

Liquidity/funding risk control limits

- Liquid funds, term debt and the available portion of committed debt facilities must be maintained at an amount in excess of 110% of existing external debt.
- We may pre-fund up to 18 months forecast debt requirements, including re-financings. Debt refinancing that has been pre-funded will remain included within the funding maturity profile until the maturity date.

The maturity profile of the total committed funding in respect to all external debt / loans and committed debt facilities, is to comply with the following limits:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 7 years	25%	75%
7 years plus	10%	60%

- A funding maturity profile that is outside the above limits but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile outside of these policy limits beyond 90 days requires specific Council approval.

Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where Council is a party. The extent of this risk is weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Finance & Performance Committee. Credit limits are dependent on the counterparty's Standard & Poor's, (S&P) rating.

The following matrix guide will determine limits:

Counterparty	Minimum S&P credit rating	Maximum per counterparty ($m)*
NZ Government	N/A	Unlimited
LGFA	A-	Unlimited
NZ Registered Bank	AA band A band BBB+	$200 $150 $50
NZD Registered Supranationals	AAA	$50
Local Authority	BBB+ Un-rated	$40m $25m

Counterparty	Minimum S&P credit rating	Maximum per counterparty ($m)*
SOE	BBB+	$20m
Other Corporate	BBB+	$10m

In determining the usage of the above gross limits, the following methodologies will be used to determine product weightings:

- Financial investments (e.g. deposits, bonds) – 100% of the principal value;
- Interest Rate Risk Management (e.g. swaps, Forward Rate Agreements) – month-end mark to market value (as provided by the treasury management system) ***plus***:
  - 1.0% of the notional principal for instruments maturing within 1-5 years of the reporting date, OR
  - 1.5% of the notional principal for instruments maturing beyond 5 years of the reporting date.
- Foreign Exchange instruments (e.g. Forward Exchange Contracts) – month-end mark to market value plus 30% of the notional value of the instrument as provided by the treasury management system.

Appendix 1: Definitions of LGFA Financial Covenant Measures

Definitions of Terms

Schedule 1 of the LGFA Shareholders' Agreement sets out the following definitions used in the financial covenants:

- **Total Revenue** is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- **Net Debt** is defined as total debt less liquid financial assets and investments.
- **Liquidity** is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
- **Net Interest** is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- **Annual Rates Income** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).

Further Guidance from LGFA

LGFA has also provided some further clarification and guidance on these measures as follows:

- **Total Revenue:** From a council's revenue there are two key items that are excluded. The first is non-government capital contributions. This includes development contributions and any donations (such as from a Trust for a community project). These are excluded as they are deemed to be non-re-occurring. The second key item that is excluded is any non-cash flow items. This includes vested assets, found assets, revaluation of derivatives and any revaluation of assets (including revaluation of investment property, forestry and investment portfolios).
- **Net Debt:** For calculating net debt LGFA allows the deduction of cash, term deposits and any investments held within investment portfolios (whether these are ring fenced or not). Investment portfolios might typically include listed equities, fixed interest securities, listed property securities or units in managed funds. LGFA borrower notes can be deducted. Any council lending to a council CCO can also be deducted but only where the CCO is a going concern and not dependent upon council financial support. Any mark to market losses that exist with interest rate swaps should not be added to debt. Likewise, any revaluation gains cannot be deducted from debt. LGFA generally consider leases to be a form of debt. However, the nature of leases can differ. For a council with any material leases (not photocopiers etc), they should contact LGFA to agree upon the treatment.
- **Liquid Assets & Investments:** Councils can include the unutilised portion of committed standby facilities, cash, term deposits, any longer-term fixed interest securities that can be sold, any listed equities that are non-core that can be sold and any loans to a CCO (that is a going concern) that mature within 12 months (provided the CCO intends to repay such loan at maturity). Councils cannot include LGFA borrower notes as they are deemed not to be liquid.

- **Net Interest:** Gross interest is calculated by adding together the value of all a council's financing costs including interest costs on debt, costs of derivatives (but not any unrealised mark to market movements) and any costs on committed bank facilities. The finance component of a lease payment may also be part of a council's interest cost. This needs to be agreed with LGFA. To calculate net interest councils can deduct any interest earned on cash, term deposits, fixed interest and dividends on non-core listed equities. Councils cannot deduct any foreign exchange gains or unrealised gains on investments.
- **Annual Rates Income:** In addition to rates revenue, councils can add on any revenue received from income for which other councils' rate. The most common of these will be volumetric water charges.

Investment Policy

Introduction

The purpose of Council's Investment Policy is to outline the acceptable level and nature of investment risks, and to control and manage investment returns and associated risks.

Council is required to prepare and adopt an Investment Policy under section 102(2)(c) of the Local Government Act 2002 (LGA). The Investment Policy must state (s105 LGA) Council's policies in respect of investments, including:

- the acquisition of new investments
- the mix of investments
- an outline of the procedures by which investments are managed and reported on to the local authority
- an outline of how risks associated with investments are assessed and managed.

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and regularly reported to Council. Specific purposes for maintaining investments include:

- For strategic purposes consistent with our LTP;
- To reduce the current ratepayer burden;
- The retention of vested land;
- Holding short-term investments for working capital requirements and liquidity management;
- Holding investments that are necessary to carry out our operations consistent with an Annual Plan, to implement strategic initiatives, or to support inter-generational allocations;
- Holding assets (such as property) for commercial returns;
- Providing ready cash in the event of a natural disaster, the use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets;
- Investing amounts allocated to accumulated surplus, Council created restricted reserves and general reserves;
- Investing proceeds from the sale of assets.

Council recognises that, as a responsible public authority, all investments held should be low risk. We also recognise that low risk investments generally mean lower returns.

Council responsibilities

Council approves this Policy and any changes to this Policy.

In addition, Council has responsibility for:

- Approving delegations to the Chief Executive Officer (CEO)
- Approving the Terms of Reference for the Finance and Performance Committee of the Whole to delegate roles such as receiving quarterly reports on investment activities and risks
- Approving transactions falling outside any delegated authority.

Chief Executive Officer (CEO) responsibilities

Council delegates authority to the CEO as stated in its published Delegations Register.

In addition to the specifically delegated authorities, Council expects the CEO to:

- Review this Policy at least once every three years and ensure it remains consistent with existing and new legislation
- Ensure compliance with this Policy
- Report quarterly to Council or an appropriate Council committee on any non-compliance with this Policy

- Receive advice of any non-compliance with this Policy, and any significant investment events, from the CFO
- Act as the person recorded by each bank as the owner of Council bank accounts and wholesale banking products with that bank. This includes authorising changes to the list of authorised signatories (for wholesale banking products) and treasury dealers with those banks

The CEO delegates authority to staff as stated in Council's published Delegations Register.

Policy

Council's general policy on investments is that:

- We may hold financial, property, and equity investments if there are strategic, commercial, economic or other valid reasons (e.g. where it is the most appropriate way to administer a Council function);
- We will keep under review our approach to all major investments and the credit rating of approved financial institutions;
- We will review our policies on holding investments at least once every three years.

Acquisition of new investments

With the exception of financial investments with banks (e.g. term deposits), new investments are acquired if approval is given by Council following presentation of a business case or report containing advice and recommendations from Council officers.

Before approving any new investments, we give consideration to:

- the contribution the investment will make in fulfilling our strategic objectives
- the financial return expected from the investment
- the financial risks of owning the investment
- the impact on our credit standing, borrowing requirements, debt limits and financial covenants
- accounting and taxation impact of the investment
- where the investment is a lending arrangement:
    - the interest rate earned on the lending, taking into account the borrower's credit profile and prevailing market interest rates
    - the borrower's credit risk profile, and the ability to repay principal and interest on the agreed dates
    - the form and quality of security arrangements provided
    - advances to charitable trusts and community organisations must meet the criteria set out in our Strengthening Communities Strategy, but do not have to be on a fully commercial basis.

All lending must be through a written contract, in a form reviewed and approved by our legal counsel.

Lending to Council Controlled Organisations (CCOs)

To better achieve our strategic and commercial objectives, Council may provide financial support in the form of debt funding to CCOs. These will typically be funded by specific borrowing which is then on-lent to the CCO through back-to-back arrangements with a margin to cover administrative costs, risks and the cost impact of any borrower note obligations.

Any on-lending arrangement to a CCO must be approved by Council. Approval may be on a case-by-case basis, or for an on-lending programme up to a specified amount and/or subject to specified limits.

In recommending an arrangement for approval we will consider the matters described above for acquiring new investments.

Lending arrangements must be on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date must be agreed between the parties.

We do not lend money, or provide any other financial accommodation, to a CCO on terms and conditions that are more favourable than those that would apply if we were borrowing the money or obtaining the financial accommodation.

Lending to CCOs is reported quarterly to Council.

Other support to CCOs

Guarantees of indebtedness to CCTOs are prohibited (under section 62 of the Local Government Act), but financial support may be provided by subscribing for shares as called or uncalled capital.

Investment mix

Equity investments

Equity investments include investments held in CCO and other shareholdings (including Christchurch City Holdings Ltd).

We hold equity investments and other minor shareholdings. Our equity investments fulfil various strategic, economic development and financial objectives as outlined in the LTP. Equity investments may be held where we consider there to be strategic community value.

We seek to achieve an acceptable rate of return on all our equity investments consistent with the nature of the investment and the stated philosophy on investments.

Any purchase or disposition of equity investments requires Council approval. We may also acquire shares that are gifted or are a result of restructuring.

Council recognises that there are risks associated with holding equity investments and to minimise these risks we, through the relevant Council committee, monitor the performance of our equity investments on a twice yearly basis to ensure that the stated objectives are being achieved. We seek professional advice regarding our equity investments when we consider this appropriate.

New Zealand Local Government Funding Agency Limited investment

Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

Our objective in making any such investment will be to:

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

Because of these dual objectives, we may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments. In connection with the investment, we subscribe for uncalled capital in LGFA and are a Guarantor.

Property investments

Council owns property investments for strategic and commercial purposes. We review ownership through assessing the benefits, including financial returns, in comparison to other arrangements that could deliver similar results.

Property disposals are managed to ensure compliance with statutory requirements and where appropriate consultation with Community Boards and Committees.

Property purchases are supported by registered valuations and where appropriate a full business case analysis. We do not purchase properties on a speculative basis.

We own land and buildings for the purposes of providing services and parks and reserves. These holdings are not considered to be investments for the purposes of this Policy.

Financial investments

Objectives

Our primary objective when investing is the protection of our investment capital. Accordingly, we only invest in approved creditworthy counterparties.

Our investment portfolio is arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. We prudently manage liquid financial investments as follows:

- Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections;
- We may choose to hold specific reserves in cash and direct what happens to that investment income. Interest is credited to general funds unless the terms of the special fund or reserve fund state that interest is to accrue.

Special funds and reserve funds

Liquid assets are not required to be held against special funds and reserve funds. Instead we may internally borrow or utilise these funds.

Trust funds

Where we hold funds as a trustee, or manage funds for a Trust, then such funds must be invested on the terms provided within the Trust. If the Trust's investment policy is not specified then this policy should apply.

Advances

Council may provide advances to CCOs, charitable trusts and community organisations for strategic and commercial purposes.

We review performance of our advances on a regular basis to ensure strategic and economic objectives are being achieved.

Approved financial instruments

Approved financial instruments (which do not include shares or equities) are as detailed in the table below:

Category	Instrument
Investments	Bank deposits Bank and corporate discounted bills (up to 1 year) Government, SOE, and Corporate Bonds or Floating Rate Notes (FRN). Bonds or FRNs issued by local authorities or LGFA. LGFA borrower notes.

Any other financial instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved.

All investment securities must be senior in ranking. The following types of investment instruments are expressly precluded:

- Structured debt where issuing entities are not a primary borrower/ issuer;
- Subordinated debt (other than LGFA borrower notes), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.