

Authorised by board on 16 August 2019:

Managing Director's authorisation:



Effective date: 17 August 2019

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1. PURPOSE

This document details how the FRDC manages its cash investments with respect to:

- delegations and authorities (refer [Delegations policy](#))
- authorised instruments to be used for investment
- risk management

2. RESPONSIBILITY

Responsibility for this policy resides with the General Manager Business.

3. DEFINITIONS AND ACRONYMS

Definitions - follow link to [Definitions](#)

Acronyms – follow link to [Acronyms and abbreviations](#)

4. RISK CATEGORY

This policy covers the following risk categories

Strategic	Reputational	Financial	Service Delivery	Operational	People	Governance
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5. RELEVANT DOCUMENTATION

This section contains links to internally and externally facing documents – access to internally facing documents is restricted to FRDC employees.

Relevant documentation
Internal
Assets (physical) policy
Asset register
Calendar procedure
Code of conduct policy
Delegations policy
Financial statements procedure
Payments processing procedure
Procurement policy
Risk policy
Treasury procedure
External
Public Governance, Performance and Accountability Act (PGPA) Act 2013

6. PUBLICATION

This policy is to be made available on the FRDC website.

7. POLICY

7.1 Legislative requirement

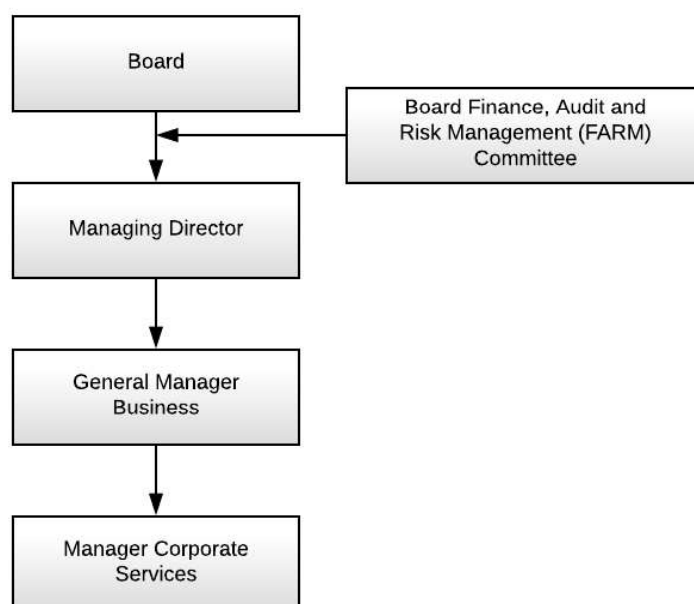
All investments will comply with the requirements of the *Public Governance, Performance and Accountability Act 2013 - Part 2-4 – Use and management of public resources Division 5 Investment, 59 Investment by corporate Commonwealth entities:*

Doc ID NEMO-29-652	Version: 3.0	https://nemo.frdc.com.au/FilePlan/StratMng/Policies/ Treasury policy effective 17 August 2019.pdf	12:57	26/08/2019	Page 2 of 7
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- 1) A corporate Commonwealth entity must not invest relevant money for which the entity is responsible unless:
 - a) The money is not immediately required for the purposes of the entity; and
 - b) The money is invested:
 - i on deposit with a bank, including a deposit evidenced by a certificate of deposit; or
 - ii in securities of, or securities guaranteed by, the Commonwealth, a State or a Territory; or
 - iii in any other form of investment authorised by the Finance Minister in writing; or
 - iv In any other form of investment prescribed by the rules; or
 - v for a government business enterprise – in any other form of investment that is consistent with sound commercial practice.
- 2) A spending limit provision in the corporate Commonwealth entity's enabling legislation does not apply to a contract for the investment for money under subsection (1), unless the provision expressly states that it applies to such a contract
- 3) A **spending limit provision** in a corporate Commonwealth entity's enabling legislation is a provision in that legislation to the effect that the entity must not enter into a contract involving the expenditure or payment of more than a specified amount of money without the approval of a specified person.

7.2 Responsibility structure

The responsibility structure in relation to treasury management is illustrated in the following diagram:



- The board is responsible for approving the FRDC's Treasury Policy, and for ensuring that financial investments are properly managed

- The Finance, Audit and Risk Management (FARM) Committee recommends to the board any changes in policy
- The General Manager Business and the Managing Director are responsible for maintaining the FRDC's treasury policy, and for the management of operational procedures, including controls, transaction processing, deal confirmations, settlements, account and risk analysis
 - The General Manager Business or the Managing Director has authority to implement strategies pertaining to:
 - Liquidity management
 - Interest rate risk management
 - Counterparty risk management
 - In undertaking this role, the General Manager Business or the Managing Director will take into account issues such as:
 - Future market rates and prices
 - Liquidity needs
 - Interest rate exposures
 - Recent transactions and results
- The General Manager Business will have the FRDC's internal auditor, being independent of treasury operations, monitor compliance through the internal audits of financial statements
- The Manager Corporate Services is responsible to the General Manager Business and the Managing Director for implementing the agreed strategies and carrying out the following activities:
 - Dealing
 - Maintenance of banking relationships
 - Confirmation and recording of transactions
 - Settlement of treasury transactions

7.3 General

The objective of the FRDC treasury function is to manage financial exposure, to achieve added value, without adding materially to overall risks.

Risk investment will be limited to the management of committed exposures within the parameters outlined in these guidelines.

Speculative position taking will not be permitted (refer PGPA Act). As a result, the FRDC's investment strategy is conservative in nature.

7.3.1 Liquidity risk management

The FRDC will seek to maximise investment returns while ensuring sufficient liquidity to meet immediate and long term cash requirements. Cash available in low interest accounts will be maintained at a minimum level.

To achieve these objectives, the FRDC will:

1. aim to hold minimum credit balances in the FRDC's operating bank account, with the objective of sufficiently covering immediate cash requirements

2. regularly review the FRDC's forecast cash position to ensure funds will be available to meet expenditure requirements and to aid short to medium term investment decisions
3. invest available funds after consideration of future commitments.
Adequate funds will be kept in 'at call' types accounts to provide backup for cash shortages in the operating account

7.3.2 Counterparty risk management

The FRDC will transact only with approved counterparties (counterparties will have a minimum Standard and Poor's long term rating of AA– where Standard and Poor's ratings are not available, equivalent Moody's ratings may be used).

A list of approved counterparties (those having AA- credit rating or above) and limits are contained in Attachment 2.

7.3.3 Authorised instruments and transactions

The FRDC will use the following instrument for the purpose of investing funds available: Deposits with a bank having Standard and Poor's long term rating of at least AA – *deposits with a bank include bank deposit accounts and term deposits*

7.3.4 Operational matters

The FRDC will:

- a. have the Manager Corporate Services perform transaction entry, processing and reconciliations at every transaction
- b. have the General Manager Business (or Managing Director in his/her absence) approve treasury transactions
- c. keep a complete audit trail for all investment transactions, including appropriate documentation of approvals

8. ATTACHMENTS

#	Description
1	Authorised officers – board delegations
2	Approved counterparties and their limits

Attachment 1 - Authorised officers – board delegations

The following are the delegations to authorise individual financial transactions and execute documents on behalf of the FRDC. These delegations and the limits stated are subject to variation from time to time as approved by the board. All amounts are in Australian dollars or equivalent.

	Managing Director / General Manager Business	Manager Corporate Services
Authority for investments		
Overnight deposit account	\$20m	\$10m
Other bank deposits	\$20m	\$10m
Commonwealth/State/Territory securities	\$20m	\$10m
Commonwealth/State/Territory guaranteed securities:		
• Up to 185 days maturity	\$20m	\$10m
• Beyond 185 days maturity	\$15m	\$10m
Authority to remit or transfer funds or monies	\$10m	\$5m
Subject to review of documentation and prior approval in accordance with expenditure limits		
Authority to execute standard treasury or banking documentation (but not including the opening of new bank accounts)	\$10m	\$5m

Attachment 2 - Approved counterparties and their limits

Approved counterparty	Standard and Poors long term rating as at 1 August 2019	Limit
ANZ Bank	AA-	\$25m
Commonwealth Bank	AA-	\$25m
National Australia Bank	AA-	\$25m
Westpac Banking Corporation	AA-	\$25m
St George – owned by Westpac	AA-	\$25m
Bankwest – owned by Commonwealth Bank	AA-	\$25m
Commonwealth, State or a Territory (securities of, or guaranteed by)		\$35m

AAA Extremely strong
 AA+ Very strong
 AA Very strong
 AA- Very strong
 A+ Strong
 A Strong
 A- Strong