TREASURY MANAGEMENT PROCEDURES 2018

Issued by:	Chief Financial Officer
Dated:	15 May 2018
Last amended:	28 September 2022
	3 November 2022 (administrative amendments only)
Signature:	
Name:	Wayne Andrews

1 Purpose and application

(1) These procedures are to give effect to the *Treasury Management Policy 2018* (“the policy”).

(2) These procedures apply to all staff involved in treasury management functions.

2 Commencement

These procedures commence on 4 June 2018.

3 Interpretation

(1) Words and phrases used in these procedures and not otherwise defined in this document have the meanings they have in the policy.

authorised hedging instruments	means financial instruments approved as such by the Chief Financial Officer in these procedures.
cash investments	means deposits, negotiable instruments and floating-rate securities issued by Australian deposit-taking institutions and Australian branches of international banks under the regulation of the Australian Prudential Regulation Authority (APRA).
ICM	means the Investment and Capital Management unit in financial services.
interest rate swap	means an agreement to pay (or receive) a stream of interest cash flows (fixed) and receive (or pay) another stream of interest cash flows (floating). These contracts may be used to achieve a mix of fixed or floating rate debt funding.

option means a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

4 Organisational structure

(1) The financial risk management organisational structure consists of:

- (a) Senate;
- (b) Senate Finance Committee;
- (c) Asset and Liability Committee (ALCO);
- (d) The Chief Financial Officer (CFO);
- (e) Financial Control and Treasury (FCT); and
- (f) Investment and Capital Management (ICM).

(2) The structure is summarised in diagram form in Schedule 1.

5 Managing liquidity and funding risk

(1) **Measurement**

- (a) Liquidity risk will be measured by comparing projected total cash requirements against total cash resources.
- (b) Projected total cash requirements will take the following into account:
  - (i) existing debt maturity profile;
  - (ii) net operating cash outflows;
  - (iii) net capital cash outflows including funding costs;
  - (iv) committed project or capital expenditure; and
  - (v) any liquidity reserve.
- (c) Cash resources will take into account unrestricted financial assets and other available committed asset sales, net operating cash flows, and undrawn facilities.

(2) **Management**

- (a) The business process for loan drawdowns is shown in Schedule 2.
- (b) The University’s cash flow and debt management will be based on detailed cash flow forecasting:
  - (i) on a weekly basis for the current financial year;
  - (ii) on a monthly basis for the following financial year; and
  - (iii) on a yearly basis out to five years.

(c) Cash resources (including any facilities) must be maintained to ensure there is sufficient cash resources to cover the maximum projected cash requirements for 12 months.

(d) The University's bank balance will be managed on a daily basis, with cash balances exceeding weekly working capital needs invested in accordance with the limits approved by Senate Finance Committee.

6 Managing interest rate risk

(1) **Measurement**

(a) The fixed and floating interest rate exposure will be measured using the authorised ranges for fixed and variable interest rate exposure set out in clause 9(2)(b) of the policy.

(b) All interest rate swaps, debt and options will be taken into account when determining the fixed and floating interest rate exposure.

(c) Fixed interest cover will be measured using an average of quarterly observations over the relevant period.

(2) **Management**

(a) The business process for managing interest rate risk is shown in Schedule 3.

(b) The maximum duration of instruments used to manage interest rate risk is limited by:

(i) the terms of any underlying debt program;

(ii) the availability of appropriate instruments in financial markets; and

(iii) any natural hedging offset.

(c) The CFO must approve in writing interest rate risk management strategies.

(d) FCT will execute transactions required to implement the approved interest rate risk management strategy.

7 Managing foreign exchange risk

(1) **Measurement**

Organisational units (e.g. a faculty, University school, administrative unit) must immediately report any committed foreign currency exposure over AUD$200,000 to FCT.

(2) **Management**

(a) FCT will determine an appropriate hedging strategy by negotiating with the organisational unit.

(b) FCT will execute the transaction and forward the documentation to the organisational unit.

8 Managing counterparty credit risk

(1) **Measurement**

(a) The approved counterparty credit exposure limits are provided in Schedule 4.

(b) The dollar value of credit utilisation of the various authorised instruments will be measured in accordance with the following table:

Instrument	Credit Utilisation
Non-discounted Cash Securities	Full face value plus accrued interest
Foreign Exchange- Forward	Market gain plus add on: 1 year or less add on: 5% 1 to 5 years add on: 7.5% Over 5 years add on: 10%
Interest Rate Swaps	Market gain plus add on: 1 year or less add on: 2.5% 1 to 5 years add on: 3.75% Over 5 years add on: 5%
Interest Rate options (swaptions)	Market gain plus add on: 1 year or less add on: 2.5% 1 to 5 years add on: 3.75% Over 5 years add on: 5%

(2) **Management**

(a) FCT will collate the monthly valuations of all open hedging transactions.

(b) The CFO must approve all amendments to counterparty limits, including temporary increases.

(c) The approval must be given in writing and must specify:

(i) the existing and proposed limit; and

(ii) the reason for the proposed change.

(d) The Treasurer will assign credit limits to new counterparties based on applying the descriptions, credit ratings and credit limits set out in Schedule 4.

(e) The operating cash portfolio will be monitored using the counterparty credit limits described in Schedule 4 and subject to an overriding limit of no more than 35% to be held by one entity.

9 Managing treasury operational risk

(1) **Approvals**

(a) The CFO must approve all recommendations for using new financial instruments and arrangements.

(b) Approval must be given in writing and must specify:

(i) the rationale for use of the instrument or technique;

(ii) any changes in policies needed to ensure that the new instrument or arrangement will be effective;

(iii) the risks (including all costs) associated with the instrument or arrangement;

(iv) the systems and procedures which will be used to monitor activities in that instrument or arrangement; and

(v) the accounting policies relating to the use of the instrument or arrangement.

(c) Authorised hedging instruments are specified in Schedule 5.

(2) **Management**

(a) The business process for managing risk associated with the payment of debt interest and fees is summarised in Schedule 6.

(b) FCT will manage transactional banking centrally, including:

(i) maintaining bank accounts;

(ii) negotiating facilities for automatic and manual transfer of funds;

(iii) requesting the operation of any service to any account;

(iv) acting as authorised person or verifying officer in relation to accounts;

(v) issuing instruments to a bank regarding manual payments, safe custody or security procedures;

(vi) negotiating and executing facilities or limits required to optimise bank account structure (i.e. 'daylight' or 'real time gross settlement' limits); and

(vii) co-ordinating the installation of software to facilitate management and reconciliation of any account.

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10 Reporting of treasury risk management activities

(1) Reporting requirements for treasury risk management are specified in the table below.

(a) Unless otherwise stated, all reports are prepared by FCT for review by ALCO.

Risk type	**Reporting frequency to ALCO**	**Specific reporting requirements**	**General reporting requirements**
Liquidity and funding risk	Quarterly or more frequently if necessary	1. Compare available liquidity to policy limits (refer to clause 8 of the policy). 2. Status of sources of liquidity and funding risk. 3. Covenants, if any. 4. Used and unused facilities. 5. Compare funding to management's debt principles, limits and credit metrics annually.	1. Compliance with policy. 2. Any breaches of policy. 3. Action taken in respect of any breaches.
Interest rate risk	Quarterly or more frequently if necessary	1. Compare interest rate risk profile to policy limits (refer to clause 9 of the policy). 2. Interest rate risk management derivatives used, current positions and sensitivity analysis (if material).	1. Compliance with policy. 2. Any breaches of policy. 3. Action taken in respect of any breaches.
Foreign exchange risk	Quarterly or more frequently if necessary	1. Summarise foreign currency commitments and the applicable hedging arrangements. 2. Sensitivity analysis (if material).	1. Compliance with policy. 2. Any breaches of policy. 3. Action taken in respect of any breaches.
Counterparty credit risk	Quarterly or more frequently if necessary	1. Summarise all exposures to counterparties and compare to their limits (refer to clause 8(1) and Schedule 4).	1. Compliance with policy. 2. Any breaches of policy. 3. Action taken in respect of any breaches.
Treasury operational risk	Quarterly or more frequently if necessary	1. Liquidity, funding and cashflow projections. 2. Debt facilities and interest paid. 3. Covenant stress testing (if applicable).	1. Compliance with policy. 2. Any breaches of policy. 3. Action taken in respect of any breaches.
General treasury risk reporting by ALCO to Senate Finance Committee	Timing varies as required **Note:** Reporting prepared by ALCO for Senate Finance Committee.	1. Quarterly report summarising the above 5 financial risk management areas. 2. Annual budget. 3. Minimum liquidity and any stress testing. 4. Changes to policy. 5. Material changes to: - Procedures, - Financial risk management strategies, - Refinancing plans, - Debt facilities, and - Counterparty limits.	1. Compliance with policy. 2. Any breaches of policy. 3. Action taken in respect of any breaches.

11 Rescissions and replacements

This document replaces the *Treasury Management Procedures 2014*, which are rescinded as from the date of commencement of this document.

NOTES

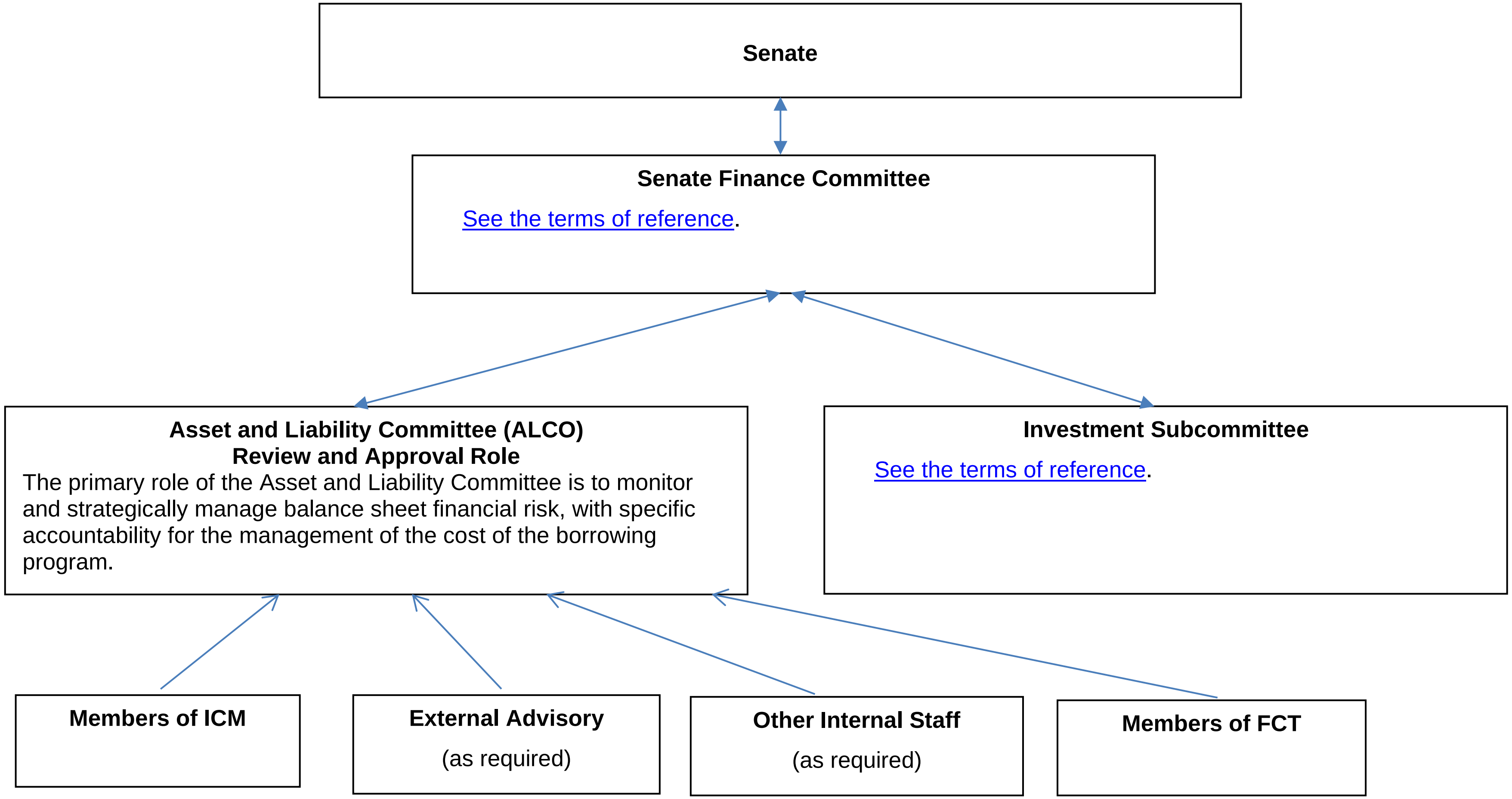
Treasury Management Procedures 2018

Date adopted:	15 May 2018
Date commenced:	04 June 2018
Date amended:	28 March 2022
	28 September 2022
	3 November 2022 (administrative amendments only)
Administrator:	Director, Financial Control and Treasury
Review date:	04 June 2023
Rescinded documents:	Treasury Management Procedures 2014
Related documents:	Treasury Management Policy 2018
	Treasury Management Policy 2018
	Investment Policy 2017
	Procurement Policy

AMENDMENT HISTORY

Provision	Amendment	Commencing
Schedule 1	Administrative amendments for Senate Finance Committee and Investment Subcommittee	28 March 2022
Schedule 4	Counterparty credit limits temporarily increased by ALCO	28 March 2022
Schedule 4	Counterparty credit limits increased by ALCO	28 September 2022
Various	Administrative amendment for Senate Finance Committee	3 November 2022
10(1)	Administrative amendment changing reporting frequency to ALCO from 'monthly' to 'quarterly or more frequently if necessary'	3 November 2022

SCHEDULE 1: GOVERNANCE STRUCTURE FOR TREASURY RISK MANAGEMENT



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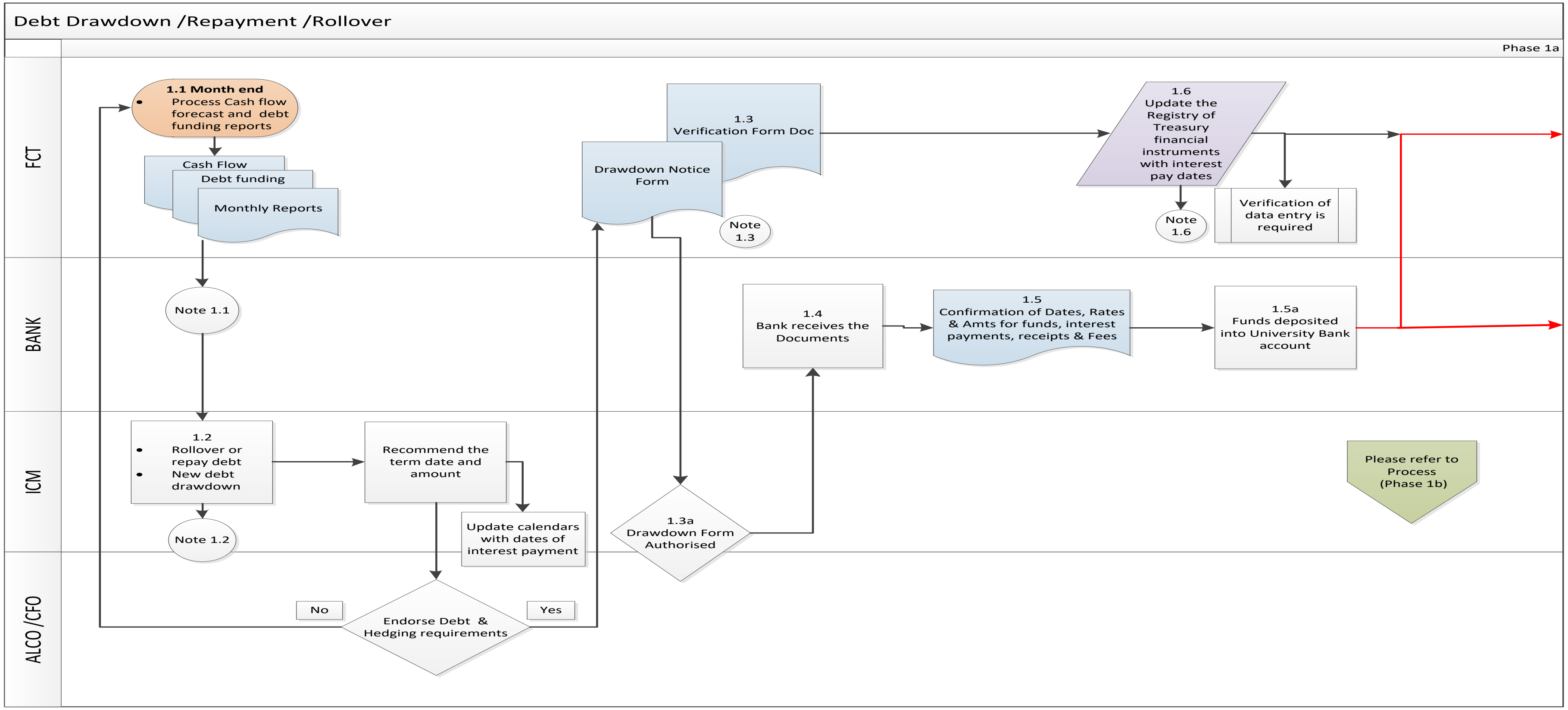
SCHEDULE 2: LOAN DRAWDOWN BUSINESS PROCESS



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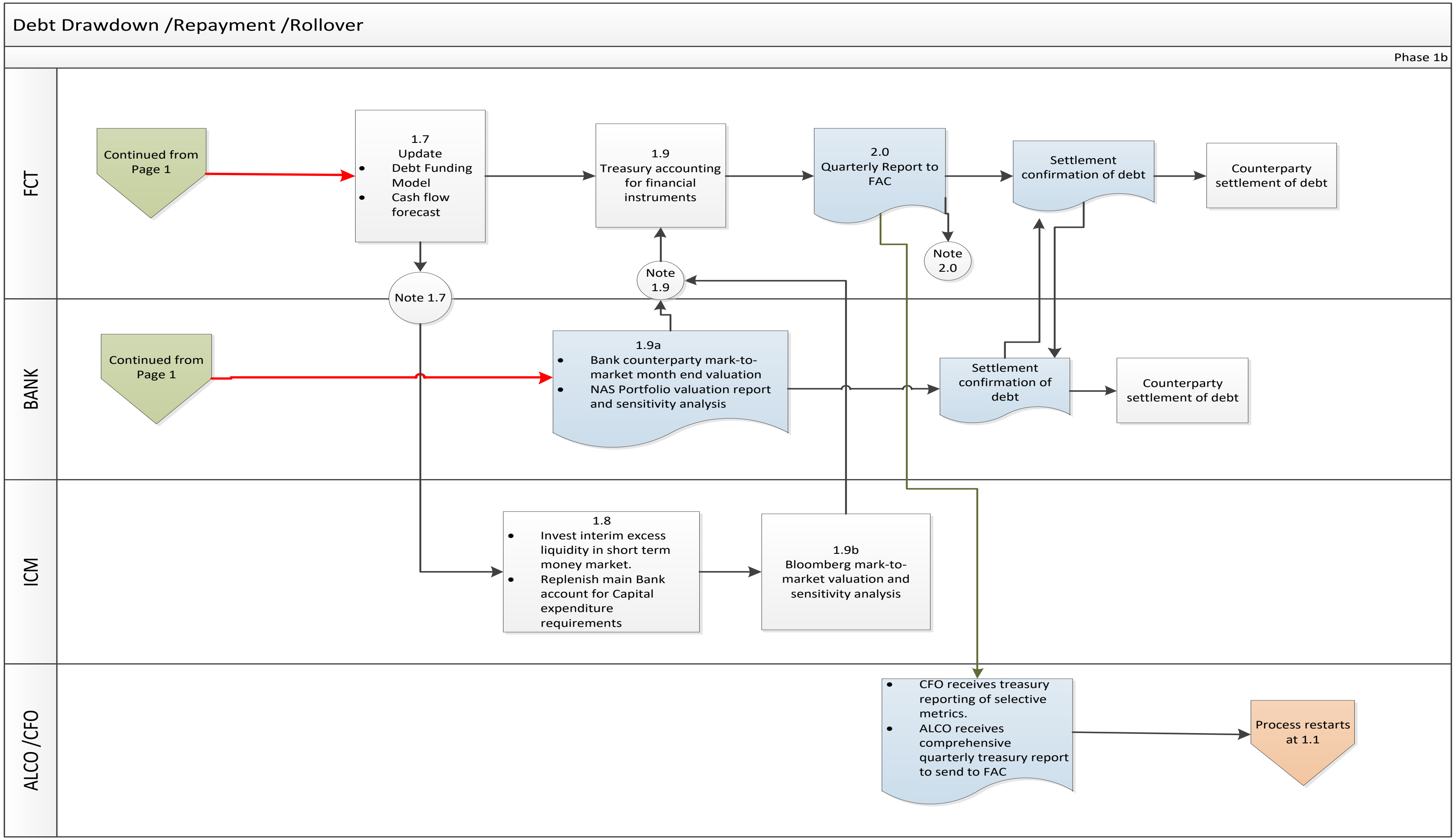


Notes to Schedule 2:

Event: Bank Debt facilities are available with drawdown multiples of $10m.

Note 1.1 Incorporates all usual weekly / monthly cash flow forecast inputs including CIS capex. Cash Flow and Debt Funding Forecasts are distributed by FCT to CFO and ICM (currently ALCO members).

Note 1.2 Amount to be drawn down and Interest period recommended.

Note 1.3 At least by 11am two days prior to proposed draw down date. Notice specifies debt amount, interest period and signed by Authorised Officer of the University as listed on Verification Certificate in Debt Facility Agreement.

Note 1.5 Funds can only be deposited to the University's main Bank account.

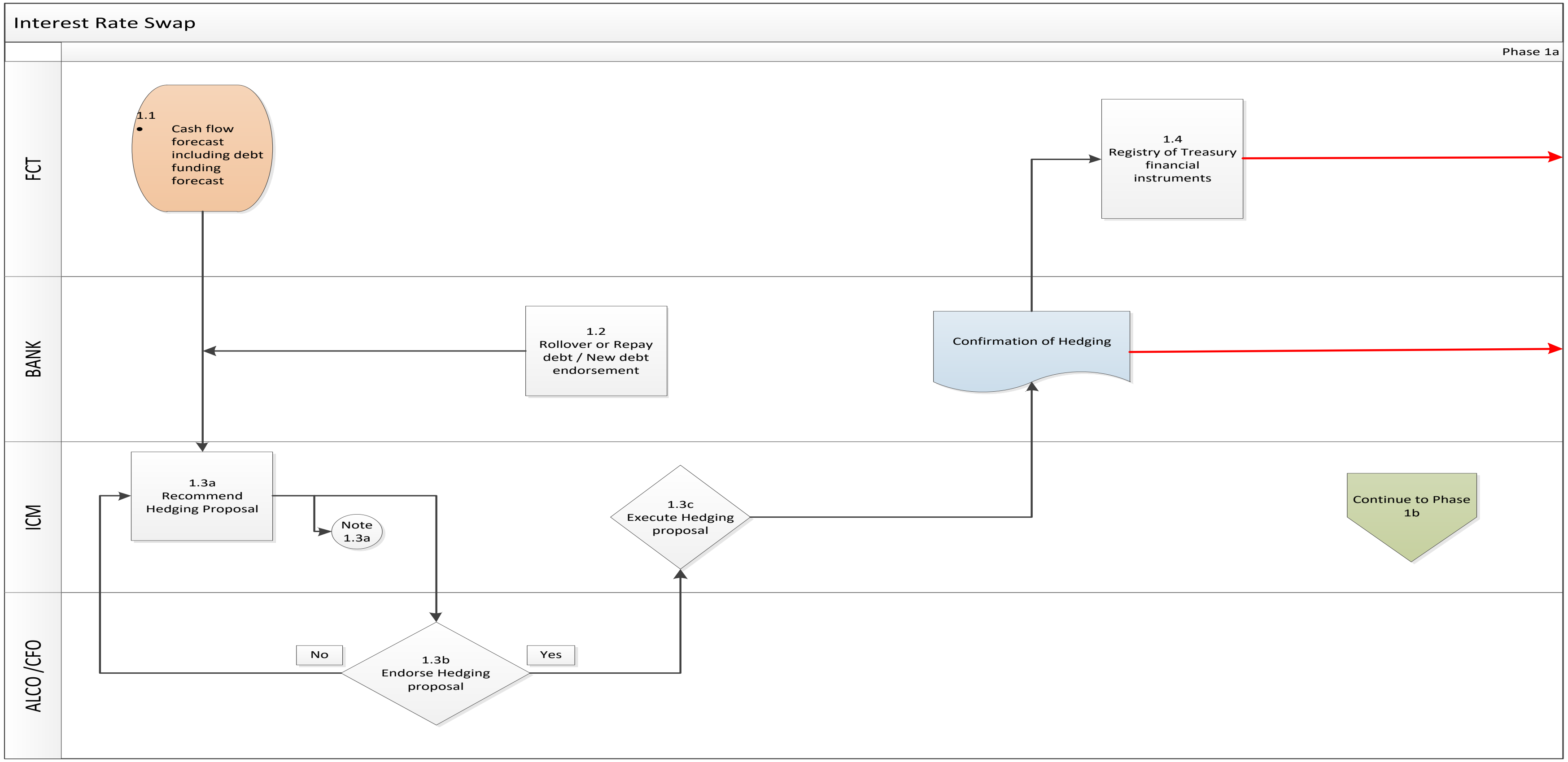
Note 1.6 Registry of treasury financial instruments includes debt tranches, interest rate swaps and other derivatives. At present updating will be done manually in Excel including due dates for notices, settlements and amounts. Implementation of Treasury Management System software may be considered in the future.

Note 1.7 Financial modelling of treasury transactions including debt tranches and interest rate swaps. Contains calculations of expenditure incurred and income earned as well as forecasting of contractual and future settlements (gross cash inflows and outflows).

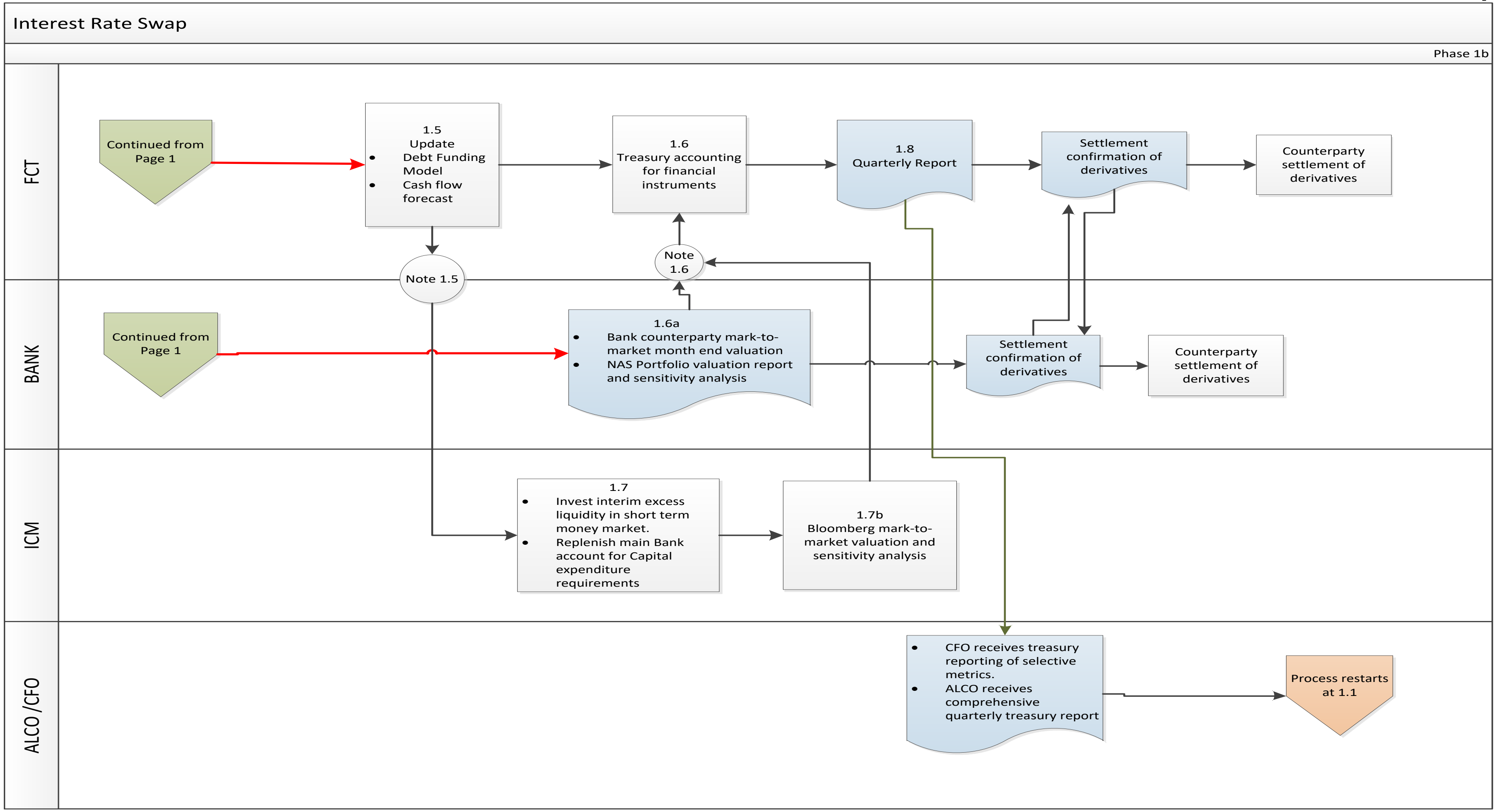
Note 1.9 Treasury accounting for debt and derivative financial instruments from accruals of income and expenditure, mark-to-market revaluations to settlements. Processes will be manual until a Treasury management software solution is deployed.

Note 2.0 Quarterly Report send to Senate Finance Committee includes benchmark reporting by FCT.

SCHEDULE 3: INTEREST RATE RISK BUSINESS PROCESS



Schedule 3 (continued)



Notes to Schedule 3:

Note 1.3a Execution of Interest Rate Swap to hedge interest rate risk on debt drawdown, where floating interest rate period and basis matches debt drawn, as well as tenor and notional within approved ranges per Treasury Management Policy and Procedures. Also approved bank counterparties includes lending bank.

Note 1.5 Financial modelling of treasury transactions including debt tranches and interest rate swaps. Contains calculations of expenditure incurred and income earned as well as forecasting of contractual and future settlements (gross cash inflows and outflows).

Note 1.6 Treasury accounting for debt and derivative financial instruments from accruals of income and expenditure, mark-to-market revaluations to settlements. Processes will be manual until a Treasury management software solution is deployed.

SCHEDULE 4: COUNTERPARTY CREDIT EXPOSURE LIMITS

Limits are set having regard to the long-term credit rating for each counterparty.

New counterparties which are not listed below will be assigned a credit limit based on applying the descriptions, credit ratings and credit limits set out in the table below.

Description	Credit rating	Authorised counterparties	Credit limit
Generic descriptions and credit limits			
Australian Commonwealth Government	AAA	Federal Government	No limit
Australian State Corporation	AAA	NSW; Victoria	$500 million
International Bank (World Bank Group)	AAA	International Bank for Reconstruction and Development	$500 million
Australian State Corporation	AA	QLD; WA	$400 million
Big four Australian Bank and Transaction Banks	AA	NAB; CBA	$500 million
Big four Australian Bank (not Transaction Banks)	AA	Westpac; ANZ	$500 million*
Global Trading Bank	AA	HSBC	$200 million
Regional Australian Bank	A	Suncorp	$100 million
Regional Australian Bank	BBB	Bendigo and Adelaide; BOQ	$100 million
Other Australian Bank	A	Macquarie	$200 million*
Overseas based Trading Bank, headquartered in a country with a democratic political system similar to Australia, with ADI status in Australia	A	Sumitomo Mitsui, BNP, ING, Citibank, CIBC	$100 million
Other overseas based Trading Banks, which have ADI status in Australia but do not meet political system criteria described above	A	The Agricultural Bank of China, China Construction Bank, Bank of China, ICBC	$50m each bank and $100m total category

Exclusions
Domestic equities. Investments are held in the University's name and liquidity is achieved through sale on a prescribed regulated exchange – eg ASX.
Units, shares or capital held in a pooled investment vehicle. While these investments can be redeemed/realised the manager can defer redemption/realisation until such time as there is sufficient liquidity. Hence credit risk cannot be attributed to a particular party/entity.

(*) On 5 September 2022, ALCO approved limit increases which included:

- Cash held with the Big four Australian banks must not be less than 50% of total operating cash holdings.
- The Macquarie Bank limit is notionally split $100 million for operating cash investments and $100 million for the ICM margin account.

SCHEDULE 5: AUTHORISED HEDGING INSTRUMENTS

The following financial instruments are authorised for use to manage financial risk.

(1) **Foreign exchange products**

(a) **FX spot**, which is the purchase of one currency with a different currency for immediate delivery (usually two working days).

(i) These contracts will be used when an exposure has not been hedged.

(ii) Amounts under AUD$50,000 will be processed through the online banking system.

(b) **FX forward,** which is the purchase of one currency with a different currency for future delivery, at a predetermined price.

(i) These contracts will be used for hedging certain (committed) exposures.

(c) **FX swap,** which is the purchase of one currency against another at an initial date, and an agreement to reverse that transaction at a future date at the same rate plus forward points.

(i) These contracts will be used when forward contracts need to be moved to a date to match the timing of an underlying commitment, or when there is a timing difference between when foreign currency is received and when it needs to be paid.

(2) **Interest rate instruments**

(a) **Interest rate swap,** which is a contract in which a party agrees to pay a stream of interest cash flows (floating or fixed) and to receive another stream of interest cash flows (fixed or floating).

(i) These contracts will be used to achieve a fixed cost of debt funding.

(b) Interest Rate Options (Caps) – bought.

(i) Options may only be sold to close out an existing bought option, or to construct a collar, where the bought and sold options have the same terms and conditions.

(ii) Bought caps are a right to receive payments at the end of each period (e.g. 90 day rolls) when the reference interest rate (e.g. 90 day BBSW) exceeds the agreed strike rate.

(iii) Caps may be used in conjunction with swaps to reduce volatility in the University's interest rate exposure. These contracts will be used when there is a preference to lock in a maximum interest cost on debt funding, while maintaining the ability to participate in a fall in interest rates.

(iv) Caps may also be used for hedging of forecast (uncommitted) debt, given the buyer has no obligations (potential liabilities) past the upfront premium (cost). Therefore, if the underlying debt is not raised, the University is not left with potentially unlimited liability.

(v) Collars are not permitted on hedging forecast (uncommitted) debt, given that the floor (sold option), is an obligation (unknown liability) to pay a counterparty each roll over date if the reference rate (90 day BBSW) is less than the agreed strike rate.

(vi) All hedging instruments relating to the management of foreign exchange risk must be denominated in the currencies of the exposures. Partial hedging (i.e. not completing the ‘cross rate’) is not permitted.

(vii) All hedging products must be broken down into the underlying approved instruments.

(viii) Digital options cannot be used as an instrument to hedge interest rate exposures.

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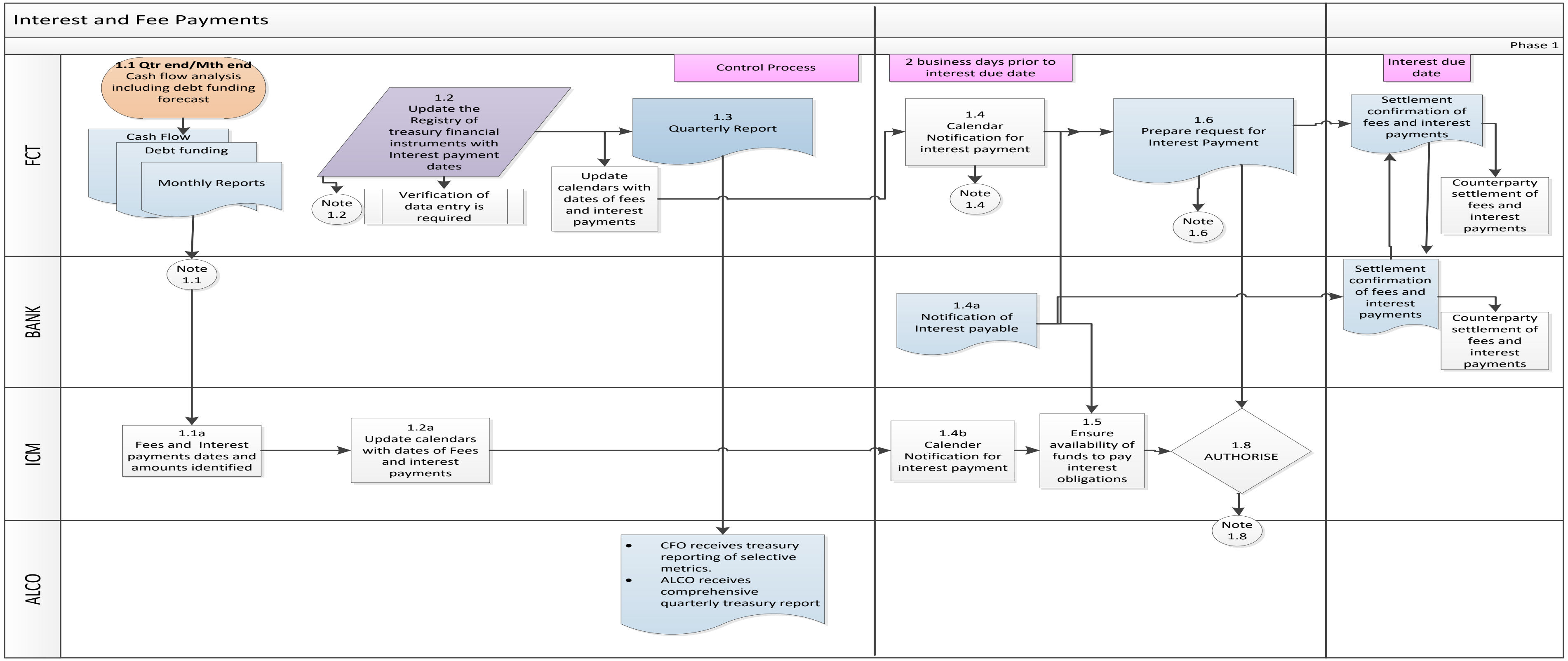
SCHEDULE 6: INTEREST AND FEES PAYMENT BUSINESS PROCESS



Notes to Schedule 6:

Event: Bank Debt facilities are available with drawdown multiples of $10m.

Note 1.1 The document will specify the interest payable which is due on the last business day of the calendar month and the Commitment fee which is accrued on a daily basis and payable at the end of each quarter

Note 1.2 Registry of treasury financial instruments includes debt tranches, interest rate swaps and other derivatives. At present updating will be done manually in Excel including due dates for notices, settlements and amounts. Implementation of Treasury Management System software may be considered in the future. This document will be created at the time of the debt drawdown (refer to Schedule 3).

Note 1.4 The University must pay the accrued fee on the facility on the last day of each quarter. If the last day is not a Business Day, it must be paid on the next Business Day in the same calendar month or if there is not one, the preceding Business Day. The University must pay the accrued interest on a Loan on the last day of each Interest Period for that Loan. If the last day is not a Business Day, it must be paid on the next Business Day in the same calendar month or if there is not one, the preceding Business Day. Additionally, the University must comply with settlement obligations in accordance with each individual interest rate swap contract. It is important that FCT and ICM communicates on the payment of interest and remind each other. Treasury settlements report and confirmations may be generated from treasury management systems software in future.

Note 1.6 Create a special vendor within Peoplesoft Accounts Payable

Note 1.8 If FCT Delegate is not present, then CFO