

# Appendix C

## Appendix C

LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES									
Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted		FITCH IBCA Credit Rating Long Term	Sovereign	For Treas CDS Overlay	
	1	<b>Other Local Authorities</b>		25 each	24 Months				
	2	<b>Debt Management Account Deposit Facility</b>		50	6 Month				
	3	<b>UK Banks :</b>							
UK		<b># HSBC Group</b>		25	365 Day				
		HSBC Bank PLC (NRFB)		25	365 Day	365 Day	SB	AA-	AA-
		HSBC 31 Day Notice Account		25	365 Day				365 Day
UK		<b># RBS Group - Part Nationalised</b>		50	365 Day				
UK		National Westminster Bank PLC (RFB)		50	365 Day	365 Day	SB	A+	AA-
UK		The Royal Bank of Scotland Plc (RFB)		50	365 Day	365 Day	SB	A+	AA-
UK		<b># LloydsHBOS Group</b>		20	365 Day				
		Lloyds Bank Plc (RFB)		20	6 Months	6 Months	SB	A+	AA-
		Bank of Scotland PLC (RFB)		20	6 Months	6 Months	SB	A+	AA-
UK		Barclays Bank PLC (NRFB)		20	6 Months	6 Months	SB	A+	AA-
UK		Close Brothers Ltd		20	6 Months	6 Months	NO	A-	AA-
UK		Nationwide Building Society		20	6 Months	6 Months	SB	A	AA-
UK		Santander UK PLC		20	6 Months	6 Months	SB	A+	AA-
UK		Standard Chartered Bank		20	6 Months	6 Months	SB	A+	AA-
	4	<b>Other Banks</b>							
AUS		Australia and New Zealand Banking Group Ltd.		25	365 Day	365 Day	SB	A+	AAA
AUS		Commonwealth Bank of Australia		25	365 Day	365 Day	SB	A+	AAA
AUS		National Australia Bank Ltd.		25	365 Day	365 Day	SB	A+	AAA
AUS		Macquarie Bank Ltd.		20	6 Months	6 Months	SB	A	AAA
AUS		Westpac Banking Corp.		25	365 Day	365 Day	SB	A+	AAA
BEL		<b># BNP Paribas Group</b>		25	365 Day				
FRA		BNP Paribas Fortis		20	6 Months	6 Months	SB	A+	AA-
FRA		BNP Paribas		25	365 Day	365 Day	SB	A+	AA-
CAN		Bank of Montreal		25	365 Day	365 Day	SB	AA-	AA+
CAN		Bank of Nova Scotia		25	365 Day	365 Day	SB	AA-	AA+
CAN		Canadian Imperial Bank of Commerce		25	365 Day	365 Day	SB	AA-	AA+
CAN		National Bank of Canada		25	6 Months	6 Months	SB	A+	AA+
CAN		Royal Bank of Canada		25	365 Day	365 Day	SB	AA-	AA+
CAN		Toronto-Dominion Bank		25	365 Day	365 Day	SB	AA-	AA+
DEN		Danske A/S		20	6 Months	6 Months	SB	A+	AAA
FRA		Credit Industriel et Commercial		25	365 Day	365 Day	SB	A+	AA-
FRA		Societe Generale		20	6 Months	6 Months	PO	A-	AA-
FIN		Nordea Bank Abp		25	365 Day	365 Day	SB	AA-	AA+
FIN		OP Corporate Bank plc		25	365 Day	365 Day	SB	AA-	AA+
GER		DZ BANK AG Deutsche Zentral-Genossenschaftsbank		25	365 Day	365 Day	SB	AA-	AAA
GER		Landesbank Hessen-Thuringen Girozentrale		25	365 Day	365 Day	SB	A+	AAA
NETH		Bank Nederlande Gemeenten		25	24 Months	24 Months	SB	AAA	AAA
NETH		Cooperatieve Rabobank U.A.		25	365 Day	365 Day	SB	A+	AAA
NETH		ING Bank N.V.		25	365 Day	365 Day	SB	AA-	AAA
SING		DBS Bank Ltd.		25	365 Day	365 Day	SB	AA-	AAA
SING		Oversea-Chinese Banking Corp. Ltd.		25	365 Day	365 Day	SB	AA-	AAA
SING		United Overseas Bank Ltd.		25	365 Day	365 Day	SB	AA-	AAA
SWITZ		UBS AG		25	365 Day	365 Day	SB	A+	AAA
SWE		Skandinaviska Enskilda Banken AB		25	365 Day	365 Day	SB	AA-	AAA
SWE		Swedbank AB		25	365 Day	365 Day	SB	AA-	AAA
SWE		<b># Svenska Group</b>		25	365 Day				
UK		Svenska Handelsbanken AB		25	365 Day	365 Day	SB	AA	AAA
UK		Handelsbanken Plc		25	365 Day	365 Day	SB	AA	AA-
		Svenska Handelsbanken - 35 Day Notice Account		25	365 Day	365 Day			365 Day
		Svenska Handelsbanken- 10 Day Notice Account		25	365 Day	365 Day			365 Day
		Svenska Handelsbanken- Call Account		25	365 Day	365 Day			365 Day
USA		Bank of New York Mellon. The		25	24 Months	24 Months	SB	AA	AA+
USA		Bank of America N.A.		25	365 Day	365 Day	SB	AA	AA+
USA		JPMorgan Chase Bank N.A.		25	365 Day	365 Day	SB	AA	AA+
	5	<b>AAA Money Market Funds</b>							
		<b># MMF Group</b>		200	24 Months				
		HSBC Global Liquidity Fund		25	24 Months			AAA	
		Morgan Stanley Sterling Liquidity Fund		25	24 Months			AAA	
		Deutsche Managed Sterling Fund		25	24 Months			AAA	
		Insight GBP Liquidity Fund		25	24 Months			AAA	
		Aberdeen Standard Liquidity Fund		25	24 Months			AAA	
		# Group Limit of applies where indicated.							
	**	A maximum of 20% of total funds to be held in the Building Society Sector.							
	**	No more than 20% of total funds to be held in any one institution or group,excluding Gov/MMFs.							
		Any adverse press comments concerning borrowers/potential borrowers should be referred to M Grady / S Maycock / K Tonge / T Spencer							
						Revised:	31st December 2023		

## Definition of Credit Ratings and Credit Default Swap Spreads

### Credit Ratings:

#### Long Term Rating (Fitch)

The Long Term rating assesses the borrowing characteristics of banks and the capacity for the timely repayment of debt obligations which apply to instruments of up to 5 years duration.

**Long Term Ratings range from AAA, AA, A to DDD, DD, D. Only Institutions with Ratings of A+ and above are acceptable on the Councils Lending List as follows:**

**AAA - Highest Credit Quality** - lowest expectation of credit risk. Exceptionally strong capacity for timely payment of financial commitments. Highly unlikely to be adversely affected by foreseeable events.

**AA - Very High Credit Quality** - Very low expectation of credit risk. Very strong capacity for timely payment of financial commitments. Not significantly vulnerable to foreseeable events.

**A - High Credit Quality** - Low expectation of credit risk. Strong capacity for timely payment of financial commitments. More vulnerable to adverse foreseeable events than the case for higher ratings.

*“+” Or “-” may be appended to a rating to denote relative status within major rating categories.*

#### Sovereign Ratings (Fitch)

The Sovereign (Governments of Countries) Rating measures a sovereign’s capacity and willingness to honour its existing and future obligations in full or on time. It looks at factors such as:

- Macroeconomic performance and prospects;
- Structural features of the economy that render it more or less vulnerable to shocks as well as political risk and governance factors;
- Public finances, including the structure and sustainability of public debt as well as fiscal financing;
- The soundness of the financial sector and banking system, in particular with respect to macroeconomic stability and contingent liability for the sovereign; and
- External finances, with a particular focus on the sustainability of international trade balances, current account funding and capital flows, as well as the level and structure of external debt (public and private).

**Sovereign Ratings range from AAA, AA, A to DDD, DD, D. Only countries with a Sovereign Rating AA- are acceptable on the Councils Lending List.**

## Credit Rating Watches and Outlooks issued by Credit Rating Agencies

**Rating Watches** -indicate that there is a heightened probability of a rating change in the short term either in a positive or negative direction. A Rating Watch is typically event-driven and, as such, it is generally resolved over a relatively short period.

**Rating Outlooks** -indicate the direction a rating is likely to move over a one- to two-year period reflecting a position not yet reached but if trends continue will do so hence triggering a rating move.

## Money Market Fund Rating (Moody's)

Aaa/MR1+ - this rating denotes the lowest expectation of default risk. It is assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events. Funds rated MR1+ are considered to have the lowest market risk.

## Credit Default Swap (CDS) Spreads

A CDS is effectively a contract between two counterparties to 'insure' against default. The higher the CDS price of a counterparty, the higher the supposed risk of default. The CDS level therefore provides a perceived current market sentiment regarding the credit quality of a counterparty and generally the movement in the CDS market gives an early warning of the likely changes in credit ratings of a counterparty.

Link has employed a benchmark system which compares the CDS spread of a counterparty against a pre-determined benchmark rate (iTraxx Senior Financial Index) to produce a CDS status overlay of 'In Range', 'Monitoring' or 'Out of Range' and this status is used to further determine the creditworthiness of the counterparty.

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