

LIST OF COUNTERPARTIES FOR DEPOSITS APPROVED
AT FULL COUNCIL 17TH MAY 2012

Sectors Methodology in Determining Creditworthiness of Counterparties:

Sector's creditworthiness service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap [CDS] spreads to give early warning of likely changes in credit ratings and gauge a market view of the counterparty
- sovereign ratings to select counterparties from only the most creditworthy countries

Sector's modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are used to determine the duration for deposits and are therefore referred to as durational bands. This approach gives a much improved level of security for its deposits.

Banking Institutions Colour Bandings	Maximum Duration [per Sector]	Individual Limits per Bank / Group of Banks (£)
White	0 months	No deposits to be placed
Green	3 months	Unlimited, but no more than 2m per Bank / Group of Banks
Red	6 months	Unlimited, but no more than 2m per Bank / Group of Banks
Orange	12 months	Unlimited, but no more than 2m per Bank / Group of Banks
Purple	24 months	Unlimited, but no more than 2m per Bank / Group of Banks

The only exception to the above is that the Councils own bank, HSBC, has an individual limit of £10m

Other Institutions	Maximum Duration	Individual Limits (£)
Local Authorities	12 months	2m
Government Debt Management Office	12 months	Unlimited
Lancashire County Council Call Account	12 months	2m
Money Market Fund*	12 months	1m

* the total amount deposited in Money Market Funds not to exceed the lower of £2M or 40% of the Council's total deposits