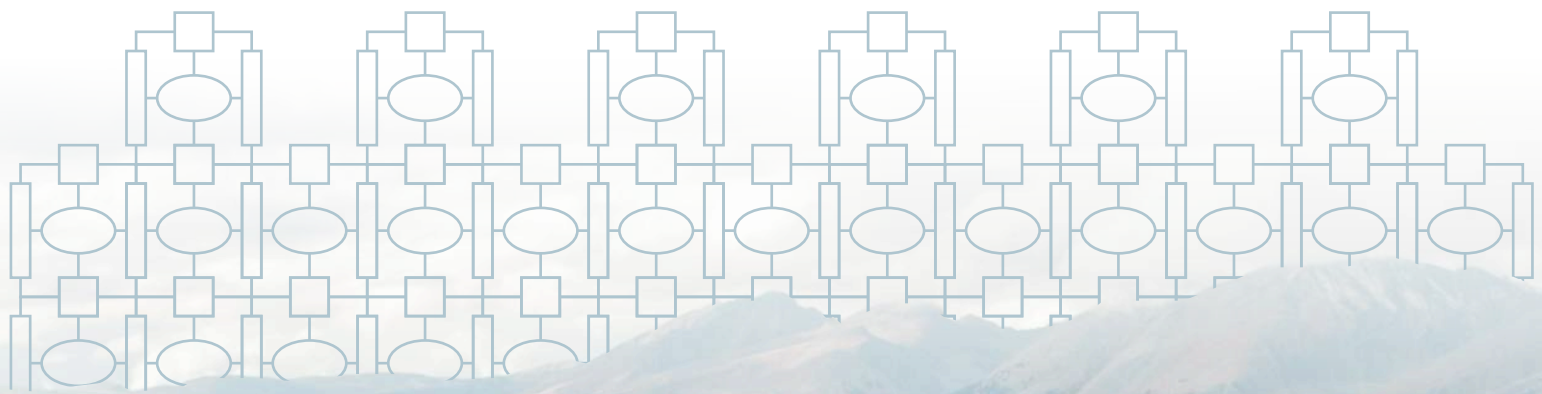


Example treasury policy for a credit union



Example treasury policy for a credit union

Purpose and scope

To set out the processes by which the credit union can invest funds surplus to day-to-day operational requirements and to ensure that investment risk is properly and prudently managed.

In doing so, Board of Directors must:

- Act within the credit union's power to invest
 - Set investment objectives
 - Set the parameters that deposit counterparties need to meet
 - Consider the level of liquid cash required to be held either overnight or within current accounts
 - Approve the type of products that the credit union can invest in and seek external guidance if required
 - Define processes to manage and make investment decisions
 - Monitor and review investments on a regular basis
-

Responsibility

The Board of Directors delegate the day-to-day responsibility of managing and implementing the investment policy to the Treasurer/CFO/CEO] to ensure investments are managed in accordance with this Policy and monitor regularly how the credit union's investments are performing.

Objectives

The credit union's overall investment objective is to preserve and grow capital in real terms and generate returns that support the activities of the credit union.

Any investment decisions must be supported by a cashflow forecast that clearly demonstrates that the credit union is left with sufficient liquidity to carry out its daily activities.

Counterparty risk

The credit union will only deposit its money with a trustworthy provider. The credit union will only use banking providers that are authorised by relevant financial regulator such as the the Financial Conduct Authority, the Prudential Regulation Authority or a relevant financial regulator in any other country.

Counterparty limits

The credit union uses Fitch Ratings to look at both the Credit Rating and Financial Implied Credit Scores. The Credit Rating or Financial Implied Credit Score will be checked before each deposit placement or roll-over.

Any accrued interest is in addition to / inclusive within these maxima.

Grade	Rating / Score	Maximum deposit per bank	Maximum maturity period
Very High	AA+ AA AA-	£5,000,000	5 years
High	A+ A A-	£1,000,000	5 years
Good	BBB+ BBB BBB-	£500,000	5 years
Speculative (or below)	BB+ BB BB-	£85,000	1 year

Credit ratings comparison table

	Moody's		S&P		Fitch	
Rating	Long term	Short term	Long term	Short term	Long term	Short term
Very High	Aaa	P-1	AAA	A-1+	AAA	F1+
Highest (Triple A)		(Prime-1)				
Investment grade:						
Very High	Aa1		AA+	AA+		
	Aa2		AA	AA		
	Aa3		AA-		AA-	
Investment grade:	A1	P-2 / P1	A+	A-1	A+	F1/F1+
High	A2		A		A	F1
	A3		A-		A-	F2/F1
Investment grade:	Baa1	P-2 (Prime - 2)	BBB+	A-2	BBB+	F2
Good	Baa2	P-3 / P2	BBB		BBB	F3/F2
	Baa3	P-3 (Prime - 3)	BBB-		A-3	BBB-
Speculative Grade:	Ba1	Not Prime	BB+	B	BB+	B
Speculative	Ba2		BB		BB	
	Ba3		BB-		BB-	
Speculative Grade:	B1		B+	C	B+	C
Highly speculative	B2		B		B	
	B3		B-		B-	
Speculative Grade:	Caa1		CCC+	C	CCC	RD/D
Very High Risk	Caa2		CCC			
Speculative Grade:	Caa3		CCC-			
	Ca		CC	D	CC	
Very near to default			C		C	
In default			C		SD/D	

Assessing liquidity needs

The [Treasurer/CFO/CEO] should ensure that a sufficient balance is held across accounts with instant access so that the credit union's financial commitments can be met without the risk of the current account going overdrawn.

A contingency amount should also be considered to give flexibility to cover any reasonable one-off events.

If interest rates are not competitive on the current account or by using a sweep facility, the [Treasurer/CFO/CEO] can consider placing some of the surplus cashflow funds into an appropriate instant access/easy access deposit account providing cleared funds can be repatriated within a short period of time.

The credit union's cashflow forecasts will dictate how much is available for investment and for how long.

The cashflow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

Investment products

Any monies held in savings or deposit account qualify as investments. The credit union can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

Overnight (instant access / easy access)

Notice accounts (typically ranging between 30 days up to 365 days)

Fixed term deposits (decide if you want the ability to go beyond 12 months)

Investments should not exceed 5 years in term.

New asset classes will be considered by the Finance Committee.

See the appendix for more on investment products.

Investment decisions

The [Treasurer/CFO/CEO] is responsible for producing reliable cash flow forecasts as a basis for decision making.

The [Treasurer/CFO/CEO] is responsible for making investment decisions that comply with this Policy.

The opening or closing of bank accounts should be authorised in line with the current Financial Regulations.

Monitoring & Reporting

The [Treasurer/CFO/CEO] will report investments held and the performance of investments against objectives to the Board for review quarterly or when requested to do so.

The reporting should include:

- Funds invested and the tenor
- Maturity dates / Notice maturity dates
- Interest rates
- Current market rates
- Blended returns achieved against expected performance and policy benchmarks
- Latest cash flows showing 12 month liquidity requirements
- Recommendations for the next **3 months**.

Review

The Board should review the Investment Policy to ensure it is still fit for purpose **annually**.

REVISED: [00/00/2025]

REVIEW DATE: [00/00/2025]

Appendix

Appendix A - Approved Investment Products Introduction

This appendix outlines the investment instruments that the credit union may use in accordance with its Treasury Policy and the PRA's requirements under the Credit Unions Sourcebook (CREDS 2.2 and 2.3).

All investments must be made in a manner that protects members' funds, ensures adequate liquidity to meet withdrawals and operating needs, and achieves a reasonable return within the credit union's risk appetite.

No investment should be entered into for speculative purposes or where the underlying risk cannot be clearly understood and controlled.

Investment type	Description	Risk Level	Liquidity	Permitted (Yes/No)	Condition/Notes
Bank deposits	Cash deposits with UK-regulated banks, building societies, or other credit unions.	Low	High	Yes	Must be held with institutions authorised by the PRA/FCA and within approved counterparty limits.
Call accounts / Notice accounts	Interest-bearing accounts offering instant or short-term access.	Low	High	Yes	Notice period should not exceed 95 days unless approved by the Board.
Certificates of deposit (CDs)	Short-term negotiable instruments issued by banks or building societies.	Low	Medium	Yes	Must be issued by UK-regulated institutions and have a remaining maturity of less than 12 months.
UK Government securities (gilts)	Bonds issued by HM Treasury.	Low	Medium	Yes	Suitable for surplus liquidity. Maturity not to exceed 5 years unless authorised by the Board.
Local authority deposits / bonds	Investments with UK local authorities.	Low-Medium	Medium	Yes (restricted)	Only permitted where the local authority is rated investment-grade and exposure limits are observed.
Corporate bonds	Debt securities issued by companies.	Medium	Medium	No	Not permitted unless explicitly authorised by the regulator and Board.
Money market funds (MMFs)	Diversified funds investing in short-term, low-risk instruments.	Low-Medium	High	Yes	Must be AAA-rated (or equivalent). Exposure to a single fund must not exceed 25% of total investments.
Covered bonds	Bonds secured by a pool of high-quality assets (e.g., mortgages).	Low-Medium	Medium	Yes (restricted)	Issuer must be UK-regulated and bond rated A or above. Exposure capped per counterparty limit.
Equities (shares)	Ownership stakes in companies.	High	High	No	Not permitted under CREDS 2.5 for treasury investment purposes.
Derivatives	Contracts such as futures, options, or swaps.	High	Variable	No	Not permitted other than for risk mitigation approved by the Board and regulator.
Alternative / complex instruments	Structured notes, hedge funds, or other high-risk vehicles.	High	Low-Variable	No	Not permitted under the credit union's low-risk policy.

Get in touch

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