TREASURY MANAGEMENT PROCEDURES 2024

Issued by:	Chief Financial Officer
Dated:	7 August 2024
Last amended:	6 November 2024
Signature:	
Name:	Wayne Andrews

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1 Purpose and application

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

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

2 Commencement

These procedures commence on 7 August 2024.

3 Interpretation

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

authorised hedging instruments	financial instruments approved as such by the Chief Financial Officer.
cash investments	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	the Investment and Capital Management unit.
interest rate swap	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 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 financial asset at an agreed price (the strike price) during a certain period or on a specific date (exercise date).

4 Organisational structure

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

(a) Senate;

(b) Senate Finance and Audit 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 Schedule 1.

5 Managing liquidity and funding risk

(1) **Measurement**

(a) Liquidity risk is measured by comparing projected total cash requirements against total cash resources.

(b) Projected total cash requirements must 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) the Minimum Management Required Liquidity reserve (MMRL).

(c) Cash resources must take into account:

(i) unrestricted financial assets;

(ii) other available committed asset sales;

(iii) net operating cash flows; and

(iv) 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 is based on detailed cash flow forecasting:

(i) daily for the next 12 months; and

(ii) monthly, and annualised, for five years.

(c) Cash resources (including any facilities) must be maintained to provide sufficient cash resources for the maximum projected cash requirements for 2 years.

(d) The University's bank balance is managed on a daily basis.

(i) Cash balances above weekly working capital needs are invested in accordance with approved counterparty credit limits.

6 Managing interest rate risk

(1) **Measurement**

(a) The fixed and floating interest rate exposure is measured using the ranges for fixed and variable interest rate exposure approved under the policy.

(b) All interest rate swaps, debt and options must be included when calculating the fixed and floating interest rate exposure.

(c) Fixed interest cover is 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 interest rate risk management strategies in writing.

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

7 Managing foreign exchange risk

(1) **Measurement**

(a) Organisational units (e.g. a faculty, University school, administrative unit) must raise a UniBuy purchase requisition for any new foreign currency exposure over A$200,000.

(b) The requisition will come to the Treasurer for approval.

(2) **Management**

FCT will:

(a) determine an appropriate hedging strategy; and

(b) execute any transaction required as a result.

8 Managing counterparty credit risk

(1) **Measurement**

(a) ALCO approves counterparty credit exposure limits, as set out in the policy. are provided in Schedule 4.

(b) The dollar value of credit utilisation of the various authorised instruments is measured as follows.

Instrument	Credit Utilisation
Non-discounted cash securities	Full face value plus accrued interest
Foreign exchange- forward	Market gain plus: 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: 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: 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) ALCO, in consultation with 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) FCT will monitor the operating cash portfolio using the approved counterparty credit limits described in Schedule 4.

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) reasons for using the instrument or technique;

(ii) any necessary changes in policies or procedures;

(iii) risks (including all costs) of using the instrument or arrangement;

(iv) systems and procedures which will be used to monitor activities; and

(v) accounting policies to be applied.

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

(2) **Management**

(a) FCT will manage the business process for paying debt interest and fees is summarised in Schedule 6.

(b) FCT will manage transactional banking. This includes:

(i) maintaining bank accounts;

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

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

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

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

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

(vii) co-ordinating software for managing and reconciling any account.

(c) FCT will manage bank accounts in accordance with Schedule 7.

10 Reporting

(1) FCT will prepare the following reports for review by ALCO.

Risk type	Reporting frequency	Specific requirements	General requirements
Liquidity and funding risk	Quarterly, or more frequently if necessary	1. Compare available liquidity to policy limits. 2. Status of sources of liquidity and funding risk. 3. Covenants, if any. 4. Used and unused facilities. 5. Compare funding to debt principles, limits and credit metrics annually.	1. Compliance with policy. 2. Any breaches of policy. 3. Any corrective action taken
Interest rate risk	Quarterly, or more frequently if necessary	1. Compare interest rate risk profile to policy limits. 2. Interest rate risk management derivatives used, current positions and sensitivity analysis (if material).	1. Compliance with policy. 2. Any breaches of policy. 3. Any corrective action taken.

Risk type	Reporting frequency	Specific requirements	General requirements
Foreign exchange risk	Quarterly, or more frequently if necessary	1. Summarise foreign currency commitments and applicable hedging arrangements. 2. Sensitivity analysis (if material).	1. Compliance with policy. 2. Any breaches of policy. 3. Any corrective action taken.
Counterparty credit risk	Quarterly or more frequently if necessary	1. Summarise exposures to counterparties and compare to their limits.	1. Compliance with policy. 2. Any breaches of policy. 3. Any corrective action taken.
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. Any corrective action taken.
General treasury risk reporting by ALCO to Senate Finance and Audit Committee	Timing varies as required	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. Any corrective action taken.

11 Rescissions and replacements

This document replaces the *Treasury Management Procedures 2018*, which are rescinded as from the date of commencement of this document.

This document also replaces the *Bank Account Procedures 2019*, which are rescinded from 6 November 2024.

NOTES

Treasury Management Procedures 2024

Date adopted: 7 August 2024

Date commenced: 7 August 2024

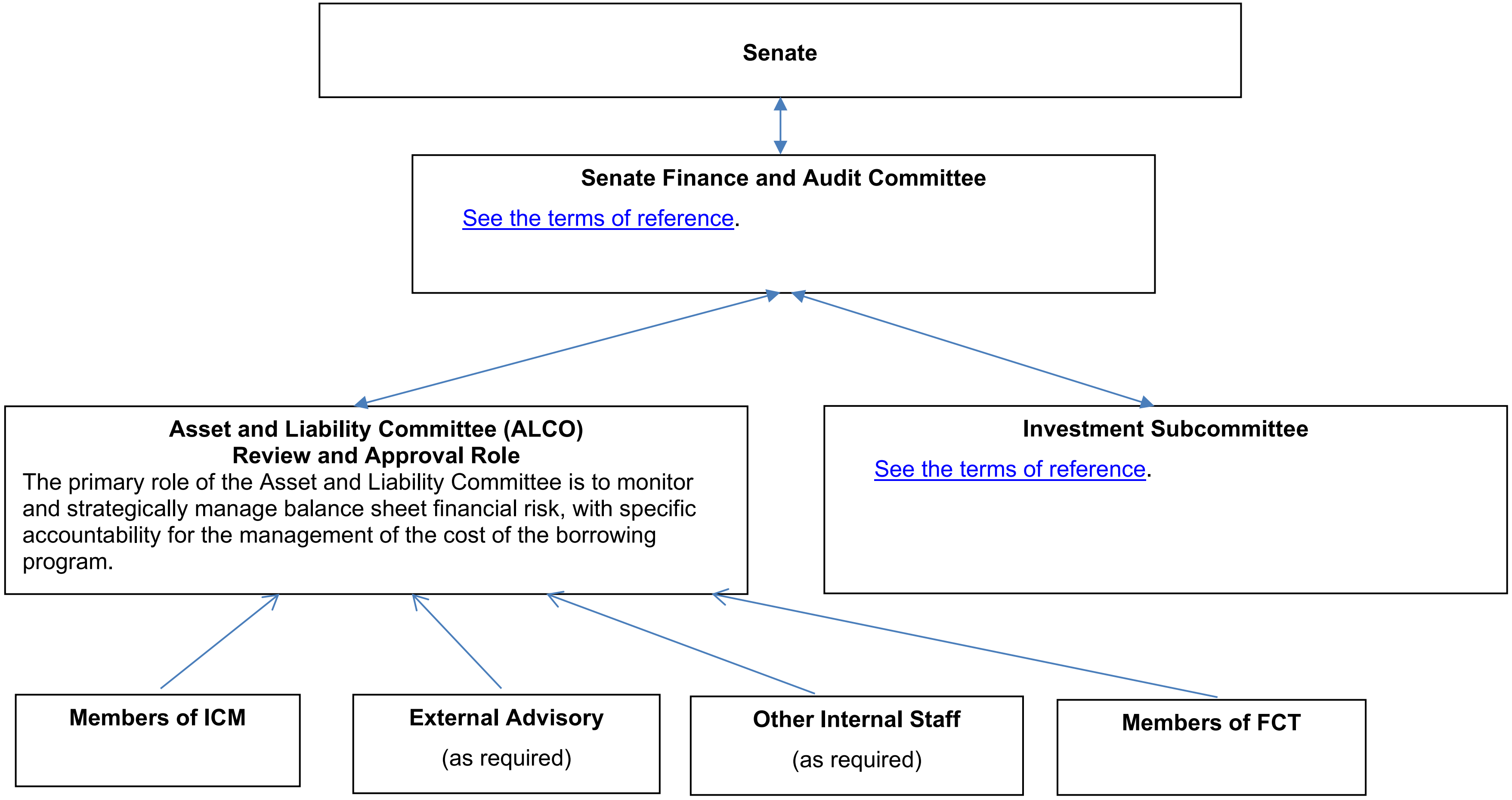
Date amended: 6 November 2024

Owner:	Director, Financial Control and Treasury
Review date:	7 August 2029
Rescinded documents:	*Treasury Management Procedures*
	Bank Account Procedures
Related documents:	*University of Sydney (Delegations of Authority) Rule*
	Treasury Management Policy
	Investment Policy
	Procurement Policy
	Travel Policy
	Reasonable and Non-allowable Expense Procedures
	Unclaimed Money Procedures

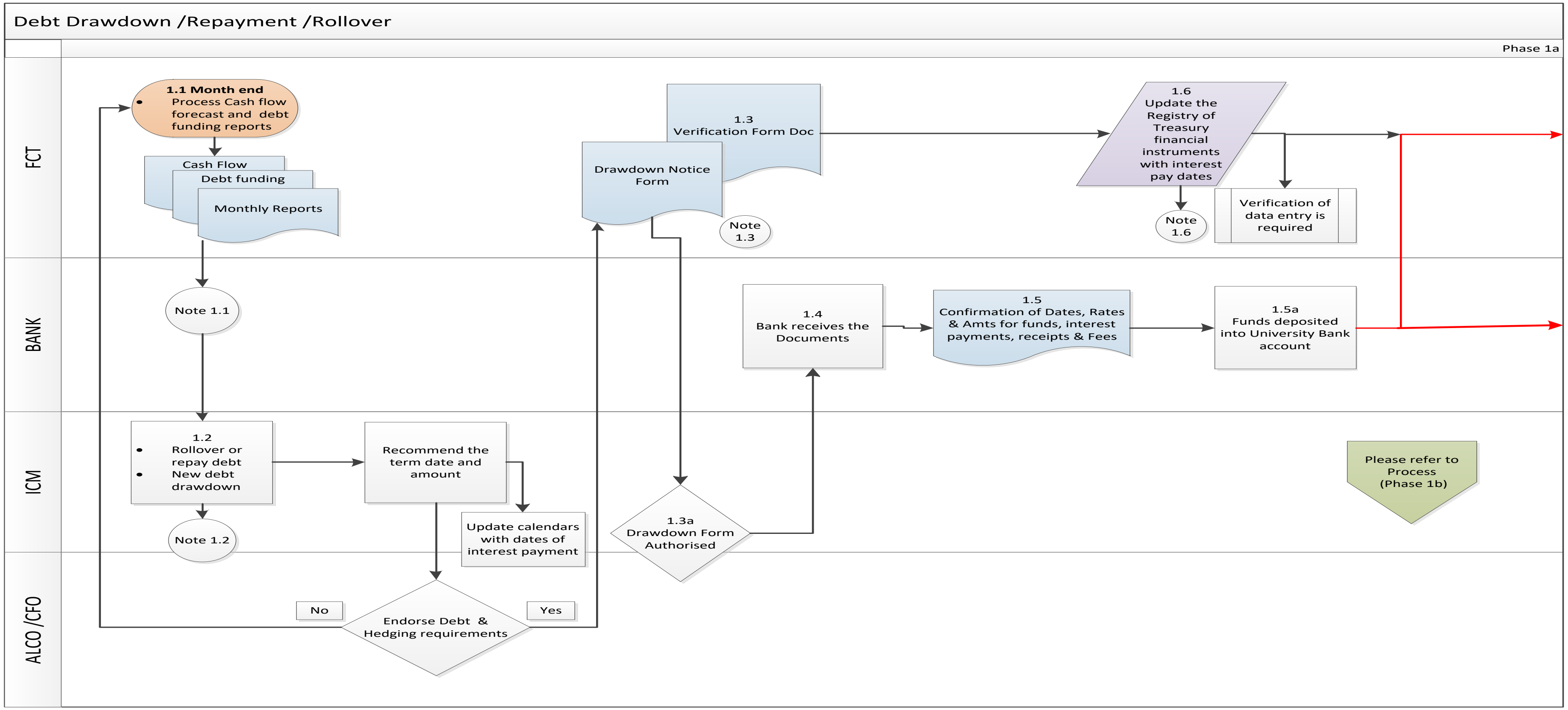
AMENDMENT HISTORY

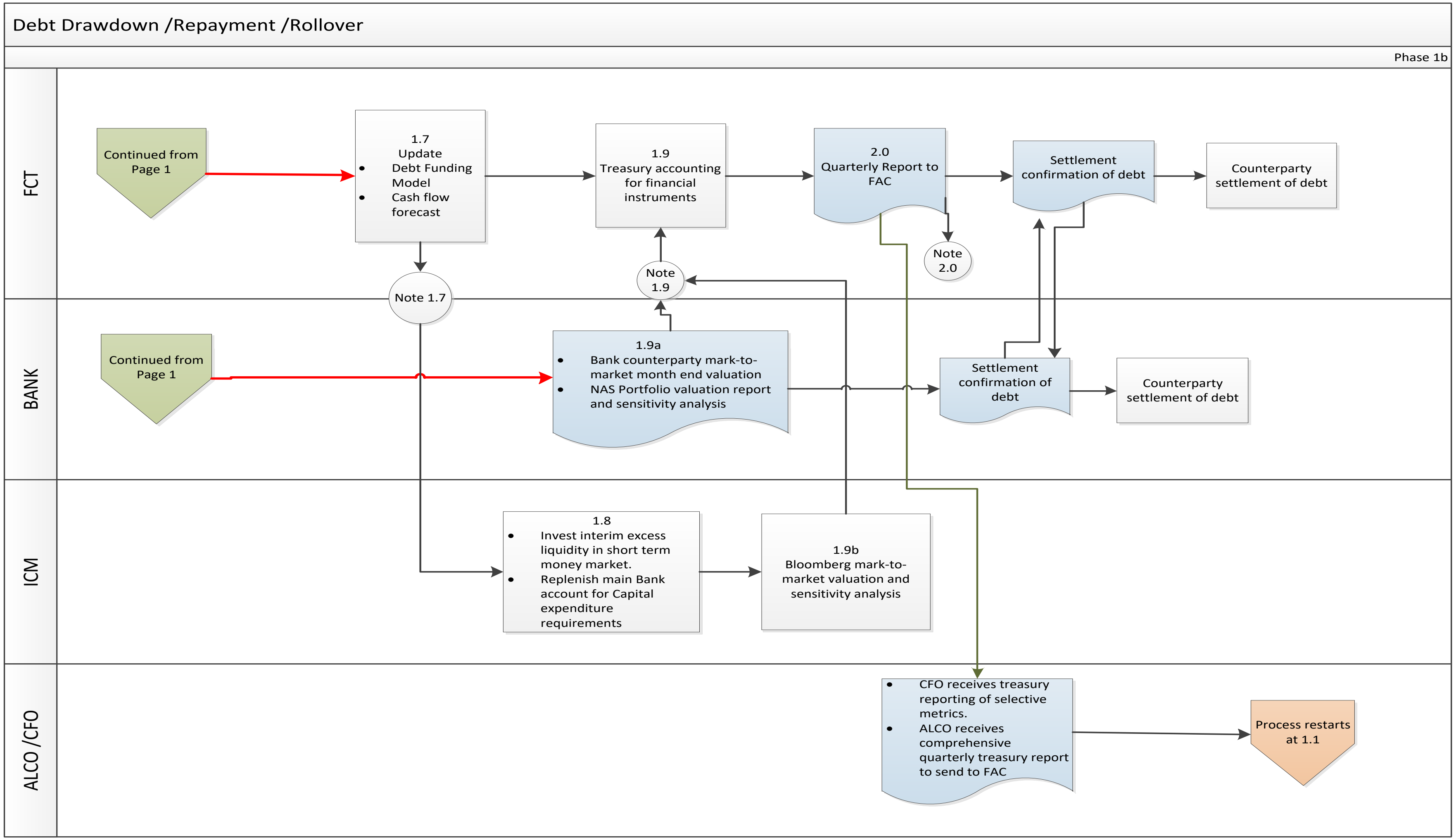
Provision	Amendment	Commencing
Schedule 4	Addition of BNPP as the overseas based trading bank and the University's custodian in the counterparty credit exposure limits	17 August 2024
9(2)(c)	New subclause added	6 November 2024
11	Added 'This document also replaces the *Bank Account Procedures 2019*, which are rescinded from 6 November 2024'	6 November 2024
Schedule 4	Amendment of authorised counterparties	6 November 2024
Schedule 7	New schedule added. Inclusion of bank account procedures	6 November 2024

SCHEDULE 1: GOVERNANCE STRUCTURE FOR TREASURY RISK MANAGEMENT



SCHEDULE 2: LOAN DRAWDOWN BUSINESS PROCESS





Debt Drawdown /Repayment /Rollover
Phase 1b
FCT
BANK
ICM
ALCO /CFO
Continued from Page 1
1.7 Update
Debt Funding Model
Cash flow forecast
1.9 Treasury accounting for financial instruments
2.0 Quarterly Report to FAC
Settlement confirmation of debt
Counterparty settlement of debt
Note 2.0
Note 1.9
Note 1.7
Continued from Page 1
1.9a
Bank counterparty mark-to-market month end valuation
NAS Portfolio valuation report and sensitivity analysis
Settlement confirmation of debt
Counterparty settlement of debt
1.8
Invest interim excess liquidity in short term money market.
Replenish main Bank account for Capital expenditure requirements
1.9b Bloomberg mark-to-market valuation and sensitivity analysis
CFO receives treasury reporting of selective metrics.
ALCO receives comprehensive quarterly treasury report to send to FAC
Process restarts at 1.1

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.

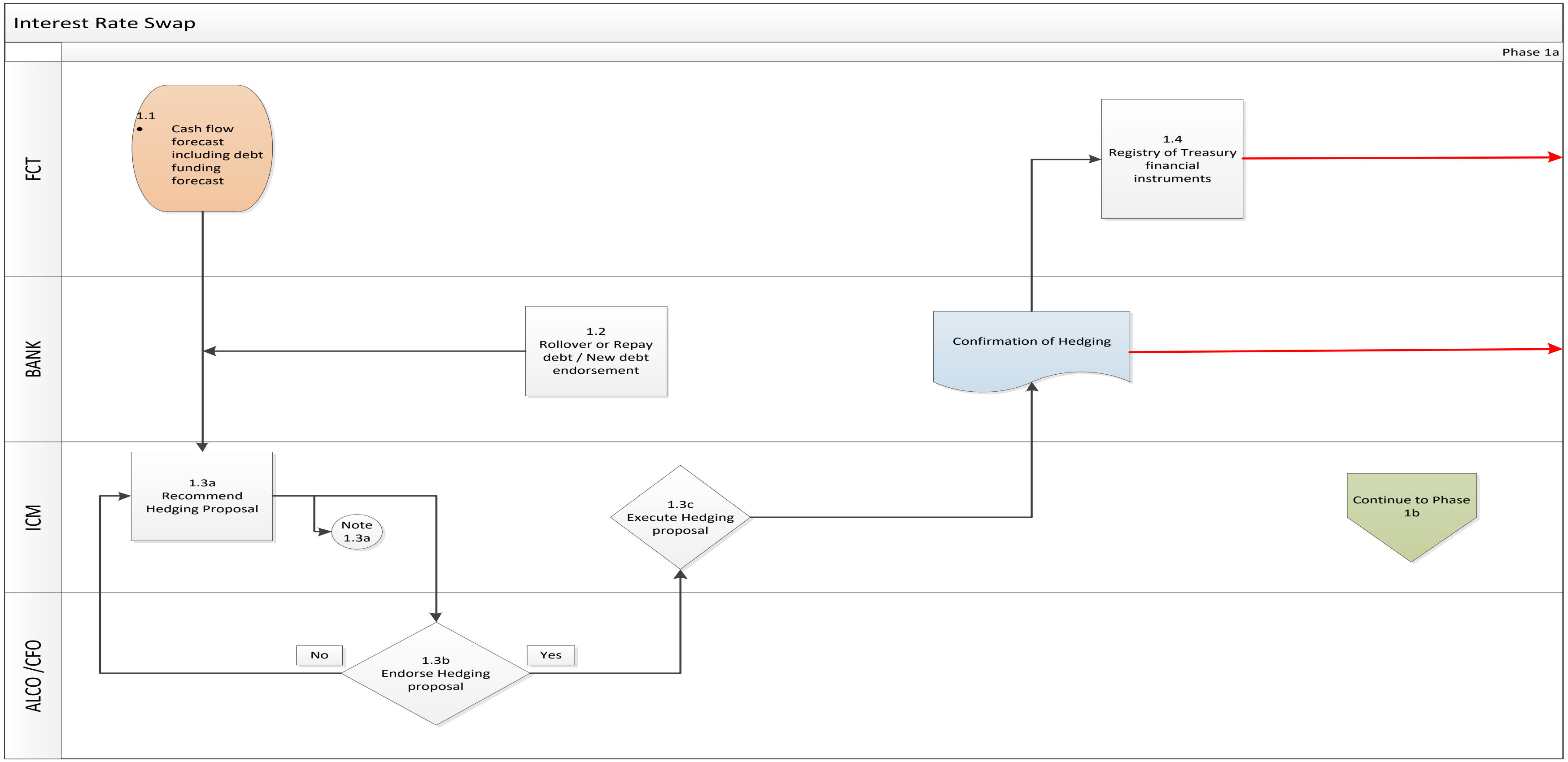
Note 1.5 Funds can only be deposited to the University's main Bank account.

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.

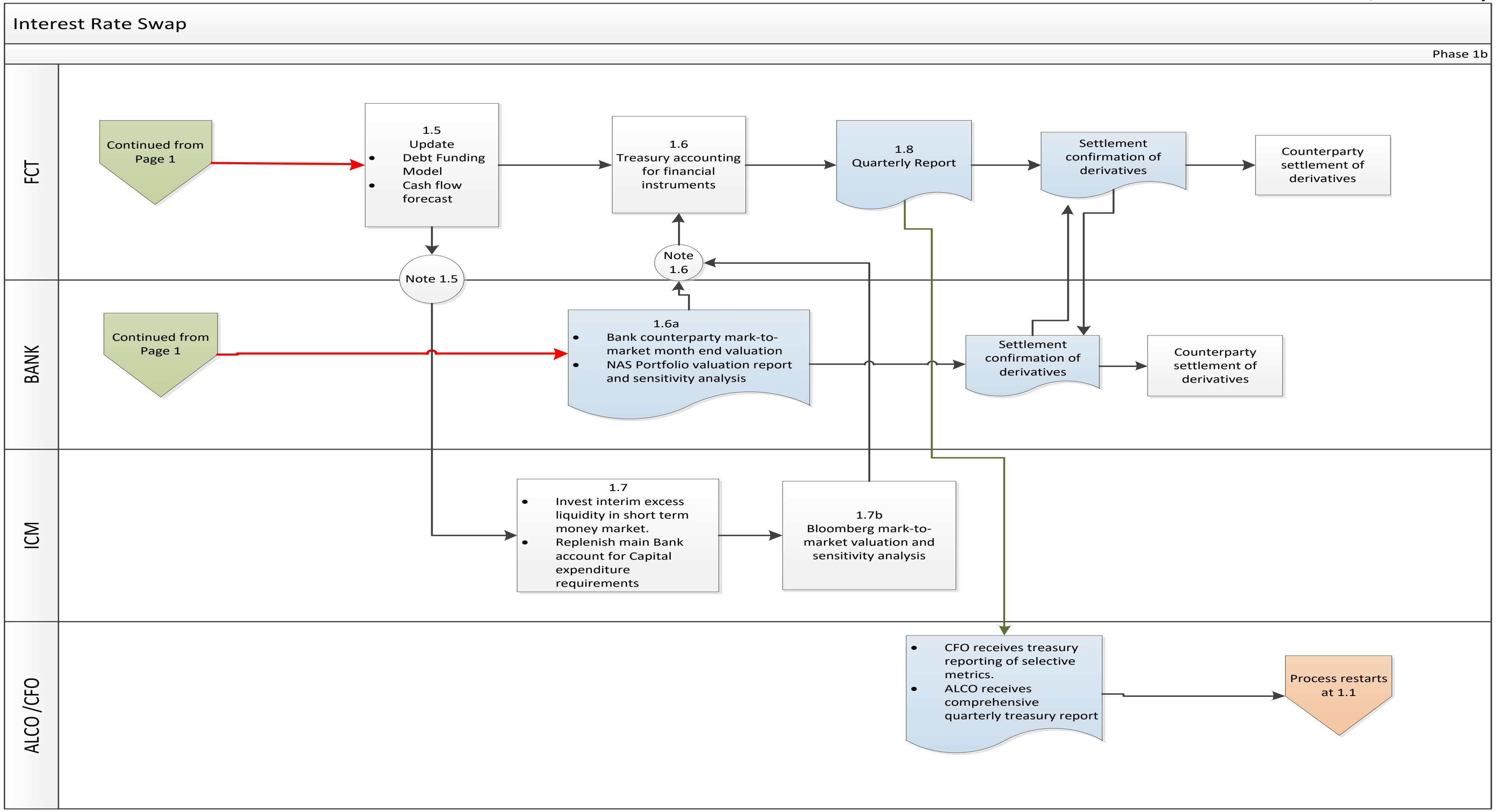
Note 1.7 Financial modelling of treasury transactions including debt tranches and interest rate swaps. Contains calculations of expenditure incurred and income earned as well as forecasting of contractual and future settlements (gross cash inflows and outflows).

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 and Audit 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	S&P Credit Rating Group	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; Westpac	$500 million
Big four Australian Bank (not Transaction Banks)	AA	ANZ (including Suncorp also known as Norfina)	$500 million*
Global Trading Bank	AA	HSBC; Credit Agricole	$200 million
Regional Australian Bank	A	BOQ; Bendigo and Adelaide	$100 million
Other Australian Bank	A	Macquarie	$200 million*
Overseas based Trading Bank and the University's custodian	A	BNPP	$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; ING; Citibank; CIBC; Rabobank	$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 12 December 2023, ALCO endorsed 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.

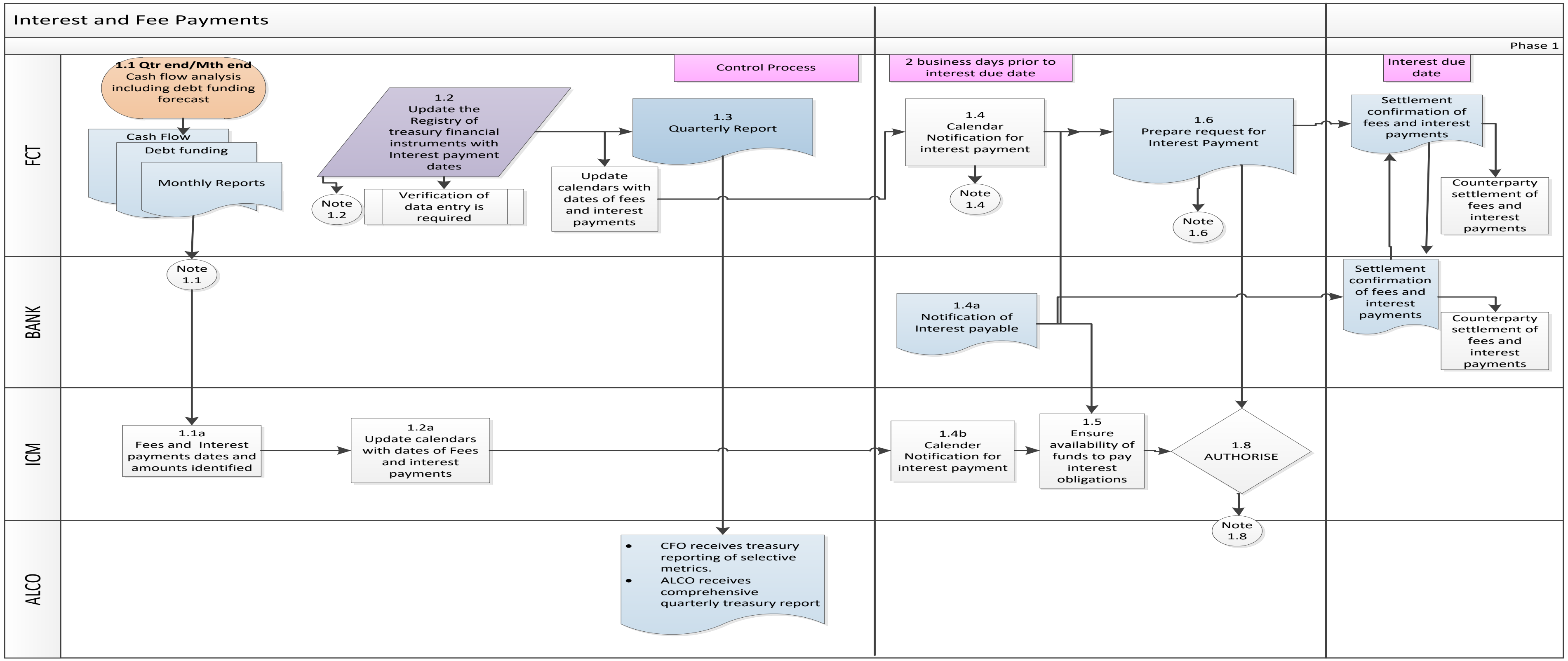
(v) Collars are not permitted on hedging forecast (uncommitted) debt, given that the floor (sold option), is an obligation (unknown liability) to pay a counterparty each roll over date if the reference rate (90 day BBSW) is less than the agreed strike rate.

(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.

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.

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SCHEDULE 7: BANK ACCOUNTS

(1) **Establishing a bank account**

All requests to open or close a bank account must be endorsed by the relevant Finance Director and submitted to the Treasurer, FCT.

(a) Sufficient information must be provided to justify the establishment of the bank account.

Note: All bank signatories are required to undertake a 100-point ID verification with the bank.

(b) The Treasurer, FCT will review the request and obtain approval from the relevant delegate to establish the bank account if required.

Note: See *University of Sydney (Delegations of Authority) Rule.*

(c) The Treasury Team, FCT will liaise with the bank to establish the account and bank signatories.

(2) **Authorised bank signatories**

The Treasury Team, FCT will obtain approval from the relevant delegate and maintain the list of authorised bank signatories for all bank accounts.

Note: See *University of Sydney (Delegations of Authority) Rule.*

(a) Bank signatories are authorised to:

(i) sign manual cheques; and

(ii) authorise online electronic funds transfers.

(b) Transactional service provider bank signatories are authorised to enter into any agreement in relation to banking facilities, including but not limited to:

(i) bank guarantee;

(ii) cash passport account;

(iii) merchant facility;

(iv) corporate credit card facility;

(v) standby letter of credit;

(vi) letter of credit;

and

(vii) two signatures are required;

(c) Generally, two bank signatures are required to authorise online electronic fund transfers.

(3) **Reconciliation of bank accounts**

(a) Group Control Team, FCT must reconcile all University bank accounts with PeopleSoft general ledger monthly, using the balance sheet reconciliation management system.

(b) The reconciliation must include a list of reconciling items and the corrective action taken.

(c) Reconciliations must be signed either electronically or in paper format and stored on the shared drive.

(4) **Imprest bank account management**

(a) Payments made through an imprest bank account must comply with the *Procurement Policy*, *Travel Policy* and any associated procedures.

(i) Payment must be made using a payment request form and approved by the relevant delegate. Supporting documentation, which has been notated as paid, must be attached to the form.

Note: See *University of Sydney (Delegations of Authority) Rule*

(ii) The cheque must be signed by two authorised bank signatories.

(iii) The imprest officer must ensure there are sufficient funds in the bank account to cover the issued cheques.

(iv) Cheques must not exceed the approved maximum transaction amount.

(b) Payments cannot be made for:

(i) payroll transactions; or

(ii) non-allowable expenses.

Note: See the *Reasonable and Non-allowable Expense Procedures*.

(c) The imprest officer must submit:

(i) a monthly reconciliation using the reconciliation statement form; and

(ii) a quarterly recoup using the imprest summary request for recoup form.

Note: The recoup will record the payments in the University's accounts payable finance system and reimburse the imprest bank account.

(d) In relation to unpresented cheques, the imprest officer must:

(i) review any unpresented cheques that are over 12 months old;

(ii) annually in June, transfer any unpresented cheques that are over 12 months old to the University's unclaimed money account.

A cheque must be drawn from the imprest account made payable to 'The University of Sydney' for the total amount of the unpresented cheques.

The imprest officer must complete the unclaimed money detail template form and return it and the cheque to the Group Accountant, FCT for processing.

Note: See the *Unclaimed Money Procedures* for details.

(5) **Responsibilities**

(a) **The Chief Financial Officer and Vice-Principal (Operations) jointly** are responsible for:

(i) approving bank signatories, including signatures for internal authorisations for electronic transfers; and

(ii) approving all arrangements concerning the University's bank accounts.

Note: See the *University of Sydney (Delegations of Authority) Rule*

(b) **Treasury Unit, FCT** is responsible for:

(i) managing bank account processes including primary liaison with the University's banks; and

(ii) recommendations to the Chief Financial Officer in relation to bank account administration.

(c) **Group Controller, FCT** is responsible for managing the reconciliation of main bank accounts.

(d) **The manager of a bank account** is responsible for correct accounting and reconciliation of the assigned bank account.

(e) **Authorised bank signatories** are responsible for the appropriate approval of payments.

(f) **The imprest officer** is responsible for:

(i) correct payment of claims;

(ii) accurate preparation of the recoup;

(iii) reconciliation of the imprest bank account;

(iv) accurate preparation of unclaimed money; and

(v) ensuring the bank account has sufficient funds.