



Government of **Western Australia**  
Department of **Treasury**

# Public Bank Account (PBA) Credit Policy

November 2018



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## **1. Overview**

This Policy applies to the investment of moneys standing to the credit of the Public Bank Account (PBA), including the separate pool within the PBA designated as the Future Fund. In this Policy a reference to the PBA includes a reference to the Future Fund unless the Future Fund is specifically excluded within a particular Policy provision.

## **2. Purpose**

This PBA Credit Policy (Credit Policy) manages the credit risk associated with the investments made in respect of the PBA and sets the parameters under which this is managed.

## **3. Legislative and Policy Framework**

Investments governed by this Policy must comply with the following legislative and policy framework:

- Financial Management Act 2006
- Financial Management Regulations 2007
- Western Australian Future Fund Act 2012
- Public Bank Account Investment Policy

## **4. Eligible Investment Counterparties**

To be considered for a limit, a counterparty must comply with the legislative requirements as set out in Section 3 and be rated by at least one of Standard & Poor's Financial Services LLC (S&P) or Moody's Investors Service (Moody's).

## **5. Investment Limits**

This Policy establishes the Categories within which investment limits are set. A maximum dollar Exposure Limit and maximum term to maturity (Term Limit) is approved for the nominated Exposure Client within each Category and is set out in Schedule A. Counterparties will be assigned to Categories on the basis of the lower of the S&P and Moody's long term ratings.

### **5.1 Exposure Limit**

The Exposure Limit as set out in Schedule A is the maximum exposure for investments within the PBA to an individual counterparty that fulfils the requirements of the applicable Category and shall be based on the credit rating and type of Exposure Client of the counterparty.

Exposures shall be measured at current market values and shall apply from the settlement date.

Exposures guaranteed by the Commonwealth Government shall be applied to the Commonwealth Government limit and not the issuing counterparty's limit.

## **5.2 Term Limit**

The Term Limit as set out in Schedule A is the maximum term to maturity allowed for PBA investments to a counterparty within the applicable Category.

## **6. Operational Approval**

The Deputy Under Treasurer, Treasury has the authority to:

1. Approve separate Exposure Limits for investments made for the PBA (excluding the Future Fund) and the Future Fund such that the total combined Exposure Limits do not exceed the exposure limit for the PBA (including the Future Fund) for the same category as set out in Schedule A of this Policy.
2. Approve the Term Limits to apply to the PBA (excluding the Future Fund) and the Future Fund such that the Term Limit does not exceed the maximum Term Limit for the PBA (including the Future Fund) as set out in Schedule A of this Policy.
3. Approve any action required in relation to a breach of this Credit Policy.
4. Approve any action required to manage the credit exposures of the portfolio.
5. Approve such other limits as deemed necessary to ensure the PBA's investments are appropriately managed.
6. Agree all operational management procedures.

## **7. Review**

A review of this Policy will be conducted by the Borrowings and Investment Sub-Committee (BISC) in June each year and a report presented to the Deputy Under Treasurer, through the Public Sector Financial Management Committee (PSFMC), recommending changes, if required, for presentation to and approval by the Treasurer.

## Approved Investment Credit Limits

Limit Category	Credit Rating	Exposure Client	PBA including Future Fund	
			Exposure Limit	Term Limit
A		Western Australia (including WATC) Commonwealth Government	No Limit No Limit	12 Years 12 Years
B	AA/Aa2 or better AA/Aa2 or better AA/Aa2 or better AAA/Aaa	Commonwealth Government Guaranteed Statutory Authorities State or Territory Governments State or Territory Government Guaranteed Statutory Authorities Major Australian Banks <sup>1</sup>	\$2,000 M \$2,000 M \$2,000 M \$1,600 M	12 Years 12 Years 12 Years 7 Years
C	AA-/Aa3 AA-/Aa3 Double-A Category AAA/AAa AAA/AAa AAA/AAa AAA/AAa	State or Territory Governments State or Territory Government Guaranteed Statutory Authorities Major Australian Banks <sup>1</sup> Banks or Authorised Deposit Taking Institutions Entities Guaranteed by Foreign Sovereigns Supranationals Corporations	\$1,625 M \$1,625 M \$1,300 M \$1,300 M \$1,300 M \$1,300 M \$1,300 M	12 Years 12 Years 7 Years 5 Years 12 Years 12 Years 5 Years
D	Single-A Category Single-A Category A+/A1 Double-A Category Double-A Category Double-A Category Double-A Category	State or Territory Governments State or Territory Government Guaranteed Statutory Authorities Major Australian Banks <sup>1</sup> Banks or Authorised Deposit Taking Institutions Entities Guaranteed by Foreign Sovereigns Supranationals Corporations	\$1,200 M \$1,200 M \$1,200 M \$ 650 M \$ 650 M \$ 650 M \$ 650 M	12 Years 12 Years 7 Years 5 Years 5 Years 5 Years 5 Years
E	A+/A1 A+/A1 A+/A1 A+/A1	Banks or Authorised Deposit Taking Institutions Entities Guaranteed by Foreign Sovereigns Supranationals Corporations	\$ 400 M \$ 400 M \$ 400 M \$ 400M	3 Years 3 Years 3 Years 3 Years
F	A-/A3 or better	Banks or Authorised Deposit Taking Institutions	\$ 350 M	1 Year
G	BBB-/Baa3 or better	Banks or Authorised Deposit Taking Institutions	\$ 50 M	11am Call

1) ANZ, Commonwealth Bank, National Australia Bank, Westpac

## Pre-settlement term limit

Excluding counterparties in Category G, a pre-settlement term limit of up to an additional 4 calendar weeks is allowed.