Treasury Policy

Approving authority	Finance, Resources and Risk Committee
Approval date	25 September 2017 (4/2017 meeting)
Advisor	Rohan Dowling | Treasury Director, Finance Rohan.dowling@griffith.edu.au | (07) 373 55467
Next scheduled review	2019
Document URL	http://policies.griffith.edu.au/pdf/Treasury Policy.pdf
TRIM document	2018/0000054
Description	The objective of this Policy is to formalise the Griffith University Treasury ('Griffith Treasury'). This Policy and associated policies and procedures outline the specific functions that the Griffith Treasury can undertake and on what basis. Section 55 of the *Griffith University Act 1998* (Qld) (Griffith Act) states that Griffith University is a statutory body within the meaning of the Statutory Bodies Financial Arrangements Act 1982 (Qld) (SBFA Act). The University has been granted authority to undertake treasury activities (i.e. investment, debt and banking) as a statutory body within the SBFA Act.

Related documents

Administration and Reporting of University Shareholding Policy
Conflict of Interest Policy
Endowment Distribution and Investment Policy
Financial Management Practice Manual
Griffith University Act 1998 (Griffith Act)
Griffith University Philanthropy and Fundraising Policy

External Links:

Authorised Deposit-taking Institutions (ADIs) approved by the Australian Prudential Regulation Authority (APRA)
Financial Accountability Act 2009
Financial Accountability Regulation 2009
Financial and Performance Management Standard 2009
Queensland Government Investment Policy Guidelines
Queensland Leasing Approval Policy for Public Sector Entities (Apr 2016)Statutory Bodies Financial Arrangements Act 1982 (SBFA Act)
Queensland Treasury Derivative Policy Guidelines from Statutory Bodies (Jan 2016)
Statutory Bodies Financial Arrangements Regulations 2007

[Policy Overview] [Investment Policy] [Debt Policy] [Risk Management] [Transactional Banking Function] [Appendix A] [Appendix B] [Appendix C] [Appendix D]

1. POLICY OVERVIEW

1.1 Objective and Scope

The objective of this Policy is to formalise the Griffith University Treasury ('Griffith Treasury'). This Policy and associated policies and procedures outline the specific functions that the Griffith Treasury can undertake and on what basis. Section 55 of the *Griffith University Act 1998* (Qld) (Griffith Act) states that Griffith University is a statutory body within the meaning of the Statutory Bodies Financial Arrangements Act 1982 (Qld) (SBFA Act). The University has been granted authority to undertake treasury activities (i.e. investment, debt and banking) as a statutory body within the SBFA Act.

The scope of the Griffith Treasury includes responsibility for:

- assessing the University's annual borrowing requirements and submitting borrowing applications to the Department of Education and Training (DET) in accordance with the approved capital budget and Council borrowing approval.
- managing the University's borrowings from the Queensland State Borrowing Program (SBP) via the Department of Education and Training (DET) and Queensland Treasury Corporation (QTC) or other agencies approved by the Finance, Resources and Risk Committee and the Queensland Treasurer.
- ensuring the University has sufficient cash flow in order to meet its short-term debt obligations and operating expenses.
- investing the University's short and long term cash surpluses with the aim of maximising returns in compliance with legislation and approvals from the Finance, Resources and Risk Committee and the Queensland Treasurer, and
- reviewing project and investment evaluation material for investments in other asset classes, in the context of their impact on the University's overall financial sustainability.

1.2 Definitions

The terms used in this Policy are defined in Appendix A.

1.3 Policy Approval and Application

This Policy is approved by the Finance, Resources and Risk Committee and no part of the document may be amended without the Finance, Resources and Risk Committee's approval. The approved document includes the body of the document and the appendices.

The Treasury Policy will be reviewed formally every 2 years with the report to the Finance, Resources and Risk Committee covering internal and external influencers (in particular market and fund assessment). The Finance, Resources and Risk Committee may determine a review is prudent at other times due to significant market changes or events which have a material impact on this Policy.

The University will comply with the Australian Accounting Standards and Australian Legislation that governs activities included within this policy, including all amendments in relation to financial instruments.

1.4 Governance

1.4.1 Compliance with Policy

All University employees must comply and undertake activities associated with this policy with a duty of care, skill, prudence and diligence to protect the University from mismanagement and misuse of funds. Employees must also advise the appropriate University officers where any potential or actual conflict of interest may exist in relation to the activities covered within this policy. The Chief Financial Officer must provide confirmation of compliance with this policy as part of the regular reporting to the Finance, Resources and Risk Committee.

Where a breach has occurred, the Chief Financial Officer, Vice President (Corporate Services) and the Chair of Finance, Resources and Risk Committee are to be advised immediately of the nature of the breach, the circumstances under which the breach occurred and an outline of what action will be taken to correct the breach. They will assess the impact and actions to be taken and determine the appropriate escalation communication required.

1.4.2 Responding to Extraordinary Events

Where internal or external issues are identified outside of the normal budget cycle that have the capacity to materially impact on the University's financial sustainability, the Finance, Resources and Risk Committee may revisit strategies in this policy to facilitate alignment and achievement of the University's operational and strategic plans.

1.5 Responsibilities

The detailed responsibilities for the Finance, Resources and Risk Committee, Chief Financial Officer, and Treasury Director are set out in the following sections.

1.5.1 The Finance, Resources and Risk Committee

The specific responsibilities of the Finance, Resources and Risk Committee in respect to financial risk management activities are as follows:

- Review and approve the establishment of, and amendments to, the Treasury Policy.
- Semi-Annual review and approval of the University's Funding and Risk Management Strategy.
- Authorisation of new financial arrangements.
- Review at each Committee meeting of financial risks and risk management activities including policy compliance and performance.
- Review of any policy breaches and corrective actions taken.
- Review of internal compliance systems and controls.
- Review of any internal or external audit reports relating to Treasury activities.
- Approval of energy and foreign currency hedging strategies.
- Approve the appointment of Investment Advisers and Fund Managers.
- Approval of the University Investment Strategy following recommendation of the Investment Advisers.

1.5.2 Chief Financial Officer

The Chief Financial Officer will have oversight of all aspects of the application of the Treasury Policy. The specific responsibilities of the Chief Financial Officer in relation to this policy are as follows:

- Recommend to the Finance, Resources and Risk Committee the establishment of, and amendments to, the Treasury Policy.
- Recommend to the Finance, Resources and Risk Committee amendments or changes to banking terms and agreements.
- Review and recommend to the Finance, Resources and Risk Committee the Semi-annual Funding and Risk Management Strategy paper (including strategic asset allocations and performance).
- Approve interest risk management strategies, within the constraints of the Policy.
- Review and endorse for Finance, Resources and Risk Committee approval, recommendations for new financial instrument types and techniques for managing financial exposures within legislative limits.
- Review compliance and performance reports, and approve any corrective action.
- Approve variations to, or replacement of, existing borrowing facilities within the constraints of the Treasury Policy and Governing legislation.
- Approve and endorse energy and foreign currency hedging strategies, as per the delegated authority levels.
- Where appropriate, delegate authority for borrowing, investment and hedging activities to the Treasury Director, in line with policy constraints as approved by Finance, Resources and Risk Committee.
- Review Treasury reports to the Finance, Resources and Risk Committee on performance, positions, compliance and effectiveness.

1.5.3 Treasury Director

The Treasury Director is responsible for supervising and implementing all treasury activities. This encompasses the daily management of the University's borrowing, investment and hedging activities within the bounds and authority as delegated by the Chief Financial Officer, including:

- Periodic review of the Treasury Policy and recommendations for its amendment.
- Preparation of a semi-annual Funding and Risk Management Strategy paper for the Chief Financial Officer and Finance, Resources and Risk Committee.
- Development of risk management strategies for the Chief Financial Officer and Finance, Resources and Risk Committee for approval.
- In conjunction with the Chief Financial Officer, negotiate financial accommodation and arrangements approved by the Finance, Resources and Risk Committee.
- Implementation of investment and financial risk management activities.
- Preparation and review of reports for the Finance, Resources and Risk Committee, including compliance with Treasury Policy and performance report, including recommending any corrective action needed for approval by the Chief Financial Officer.
- Ensuring accurate records are maintained in respect to the Treasury function and all financial risk management activities.
- Preparation and updating of the Treasury Section of the Financial Management Practice Manual.
- Ensuring control procedures as set out in the Treasury Operational Procedures Manual are implemented.

- Management of relationships with financial institutions and broker/s in conjunction with the Chief Financial Officer as appropriate.
- Preparation of briefings and reports for the Queensland Treasurer, Department of Education and Training, Queensland Treasury Corporation, Queensland Investment Corporation and any other parties under legislation as required.
- Ensuring all parties are aware of their responsibilities under the Treasury Policy.

2. INVESTMENT POLICY

2.1 OBJECTIVE AND SCOPE

The objectives of the University's Investment Policy are to maximise the investment return available funds for an agreed level of risk in order to:

- Support the purpose and mission of the University;
- Provide funds and capital growth to support the University's short-term commitments and growth objectives; and
- Support a reasonable level of funding stability from year to year.

2.2 Investment Management

The Treasury Director is required to manage the University's investment portfolio in accordance with this policy. The Treasury Director must take consideration of the following:

- Documented treasury procedures must incorporate appropriate internal controls and segregation of duties.
- Speculative transactions (defined in Appendix A) are not permitted.
- All investment activity occurs within the correct University Bank Account.
- The assessed security of capital and income objectives will be the major considerations when making an investment decision.
- The investment allocations contribute to and support the University's cash flow requirements.
- Information is sourced for cash flow management from the Financial Planning and Analysis section of Finance.
- Investments must be made at the most advantageous rate available at the time for the particular investment type with the same risk or credit rating, and in a way that is the most appropriate given the circumstances.

Investments may not always be placed in the highest return facility but will be assessed on the most beneficial overall outcome for the University. In such circumstances the rational for the recommendation must be documented and approved by the Chief Financial Officer.

The University may appoint a Fund Managers and Investment Advisers with the approval of the Queensland Treasurer.

The Funds Manager must abide by the same requirements and restrictions contained in this Policy and any other relevant procedure documents. The University can retain Queensland Investment Corporation (QIC) and Queensland Treasury Corporation (QTC) as Fund Managers and Investment Advisers as approved under the SBFA Act without specific referral to the Queensland Treasurer.

2.3 Investment Strategy

The University's Investment Portfolio will be managed through an investment approach whereby available cash of the University will be invested through the cash investment strategy, the growth investment strategy or the direct investment strategy as approved within this policy and governing legislation. The nature and liquidity horizon of the funds will determine the appropriate strategy they are invested through.

2.3.1 Cash Investments (Cash Strategy)

Funds available for short-term investment, including funds that represent the University's core liquidity and working capital requirements over the three year budget period, will be invested using the Cash Strategy. This strategy seeks to meet the short term liquidity requirements of the University whilst providing a low to moderate real return with a strong focus on capital preservation, recognising that it is possible to make a mark to market or book loss.

Liquidity and access to funds as required is to be achieved by applying the following strategies:

- Conduct regular reviews of the University's future cash flow requirements and ensure funds will be available to meet these requirements.
- Maintain an appropriate level of funds at call to ensure expenditure contingencies will be covered.
- Individual investments would not normally be longer than 12 months however with the approval of the Chief Financial Officer could be for a period up to 3 years.

Performance Objective:

The investment objective is to achieve a return (net of tax and fees) at least equal to the official Reserve Bank of Australia (RBA) Cash Rate over rolling 12 month periods.

Performance Benchmark:

The performance benchmark is the Bloomberg AusBond Bank Bill Index.

Interest Allocation:

Interest allocation will be managed by applying the following strategies:

- Interest earned on funds invested using the Cash Strategy will be allocated in the University budget process or other financial allocation process determined by the Vice-Chancellor, Vice President (Corporate Services), Chief Financial Officer or other person delegated authority by the former.
- Where interest must be allocated to funds received but not yet spent and no calculation method is specifically stated in the grant deed, interest will be determined using the current Reserve Bank of Australia's (RBA) cash rate, calculated and allocated to the monthly closing balance of the grant within the University's finance systems.

Management Fees:

Returns earned on funds invested using the Cash Strategy shall be net of any direct costs and any management charges as approved by the Chief Financial Officer.

Asset Allocation:

The Cash Strategy can include investments in any of the following type of assets:

- Bank Accounts;
- Term Deposits
- Commercial paper;
- Funds specifically approved within the SBFA Act for cash investment; and
- Cash funds managed by approved Fund Managers.

All investments will normally be held until the official maturity date unless specifically approved by the Chief Financial Officer.

The capital value of the funds invested using the Cash Strategy must be preserved to the maximum extent by applying the following strategies:

- Only invest in the allowed investment types listed above and that meet the prescribed credit ratings and institution limits outlined in Appendix B.
- Only invest with Authorised Deposit-taking Institutions (ADIs) which are approved by the Australian Prudential Regulation Authority (APRA).
- Regular monitoring in the Monthly Treasury Report of the mark-to-market value and credit rating of each investment and ADI against the credit ratings and institution limits outlined in Appendix B.

Diversification:

Investments shall be made to ensure a reasonable level of institutional diversification relative to the total funds invested under the Cash Strategy and subject to institutional limits. Approval of the placement of funds is subject to maximum investment limits for groupings based on institution, credit ratings and asset type, as outlined in Attachment B. For the purpose of this, investments in managed cash funds are to be based on each fund's average effective rating.

2.3.2 Growth Investment Strategy (Growth Strategy)

The strategy seeks to provide strong real returns over long time periods commensurate with the risk profile.

Growth Strategy Structure:

The Growth Strategy contains funds of a permanent or long term nature, the funds not being required for liquidity or utilisation within at least the three year budget horizon. Accordingly, the majority of the assets will be invested in the growth sectors with the remaining assets invested in defensive assets for diversification. The Growth Strategy will include Endowed and Donated funds unless specifically approved by the Chief Financial Officer.

Performance Objective:

The investment objective is to achieve a total return (net of tax and fees) that exceeds the increase in the Consumer Price Index (CPI) plus 4.0% p.a. over rolling five year periods.

Risk Objective:

The risk objective is to provide a probability of negative returns of less than 20% (1 in 5 years).

Time Horizon:

The time horizon is an investment period of 3 years or more.

Spending Policy:

Income allocation will be managed by applying the following strategies:

- Income earned on common investment funds will be allocated in the University budget process or other financial allocation process determined by the Vice-Chancellor, Vice President (Corporate Services), Chief Financial Officer or other person delegated authority by the former unless otherwise specified in the Fund conditions or by other provision.
- Where interest must be allocated to grants and endowments received but not yet spent and no calculation method is specifically stated in the grant or endowment deed, interest will be determined using the Distribution rate as set annually by the Finance, Resources and Risk Committee as required within the University Endowment Distribution and Investment Policy. Income will be calculated and allocated based on the monthly closing balance of grants or endowments within the University's finance systems.
- Where invested funds include a range of grants and endowments, income from the fund must be distributed in direct proportion to the size of the contributions.

Management Fees:

Returns earned on funds invested using the Growth Strategy shall be net of any direct costs and any management charges as approved by the Chief Financial Officer.

Strategic Asset Allocation:

The table as outlined at Appendix B sets out the benchmark portfolio within which the Growth Strategy is expected to operate and against which performance will be measured. Exposure to cash assets may be obtained through funds invested using the Cash Strategy.

2.3.3 Student Investment Fund (Direct Equities investment)

This strategy seeks to invest directly in listed Australian equities with the primary purpose being to support student learning through participation in equity investment assessment, recommendation and reporting.

Equity Fund Structure:

The fund will be established with an initial, permanent funding of $250,000. The total fund value will be limited to a total market value cap of not more than $300,000, the Finance, Resources and Risk Committee having discretion to raise the total market value cap to a maximum of $1,000,000 without further approval from the Queensland Treasurer. Returns in excess of the total market value cap are to be reinvested in student scholarships.

Performance Objective:

The return objective is to achieve a 12 month rolling return (net of fees and taxes) equal to or greater than the Dow Jones Sustainability Australia Index.

Time Horizon:

The investment period for the fund is 10 years or more.

Equity Investment Parameters

The selection of investments for the fund will meet the criteria outlined below, these parameters are intended to maximise diversification and reduce investment risk:

- Only equities of companies listed on the Australian Stock Exchange can be invested in, investments in derivatives, debt or hybrid instruments are specifically excluded;
- Companies must have a market capitalisation of greater than $100 million;
- Companies must be a constituent of the Dow Jones Sustainability Australia Index and satisfy the ESG criteria set out in section 2.4 of this policy. Companies involved in any form of adult entertainment, alcohol, armaments and firearms, gambling and tobacco are specifically excluded, as are companies whose primary business relates to fossil fuels;
- The fund will not invest in more than 30 companies at any point in time;
- Sector weightings of the fund will be consistent with the Dow Jones Sustainability Australia Index +/- 2%. Where Dow Jones Sustainability Australia Index equities have been excluded due to ESG or other factors then amended Dow Jones Sustainability Australia Index sector weightings can be utilised +/- 2%.

Management and Broker Fees

Fees and taxes directly incurred in operating the fund will be allocated to the fund. Returns earned on funds invested shall be reflected net of any direct costs. The fund should retain sufficient cash holdings to ensure fees and charges are able to be paid from the fund.

2.4 Environment, Social and Corporate Governance (ESG)

The University considers material ESG factors in its investment decision-making including the selection of new Investment Advisers and Fund Managers.

Unless otherwise specifically approved by the Finance, Resources and Risk Committee the management of the Investment Portfolio will comply with:

- The University's statements on ESG and ensure that Fund Managers and Investment Advisers are aware of the University position regarding ESG investing and act accordingly.
- Other University Policies relating to ESG factors, as relevant;

- Fund Managers are required to report at least semi-annually, to the University and the University's investment Advisers, on ESG matters.

The University is committed to ESG integration in the management of the Investment Portfolio, and as such, the processes and procedures associated with ESG consideration shall be reported annually to the Finance, Resources and Risk Committee.

2.5 Performance Monitoring and Reporting

The University Investment Portfolio and each investment strategy's performance will be monitored separately on a monthly, quarterly and annual basis, with at least semi-annual reporting to Finance, Resources and Risk Committee including assessment of rolling three, five, and where appropriate, 10 year results. Any material adverse developments within any of the strategies are to be noted in the Treasury report at the next meeting of Finance, Resources and Risk Committee.

The principal goals in monitoring the Investment Portfolio are to assess:

- The performance and effectiveness of the Investment Portfolio, and investment strategies as a whole, against the objectives as outlined in this Policy;
- The performance of each Investment Adviser and Fund Manager against their relevant benchmarks and stated mandate;
- The management of associated investment risks, duration and diversification;
- Compliance with this policy.

2.6 Transitional Provisions

Any material change to this Policy may give rise to a period of transition and will be subject to a transitional implementation period as approved by the Finance, Resources and Risk Committee, on the recommendation of the Chief Financial Officer.

2.7 Monitoring of Fund Managers

Fund Managers may be reviewed and / or replaced if they fail to achieve or are assessed to be likely to fail to achieve in the future the objectives set, or where in the opinion of the University there is a material change in the Fund Manager, or University Policy or strategy, such that it puts at risk the ability of the Fund Manager to retain the appointment to the satisfaction of the University. Fund Manager performance will be formally reviewed annually and a recommendation made from the Chief Financial Officer to the Finance, Resources and Risk Committee as to whether to retain or terminate a Fund manager.

The fund Managers are required to provide, in a timely manner, a monthly report on the performance of the funds managed, which will include, as a minimum, the following information:

- The overall performance of the portfolio for the month, including fees and charges;
- The asset allocation for the month, including performance versus targets / objectives;
- Returns of the funds over a given timeframe (i.e. Since inception, 3 months, 6 months, 1 year, 3 years, etc.);
- Compliance statement with University policy and objectives; and
- Assessment of market conditions and recommendations for future actions.

Fund Managers may be required to provide specific market and strategy reports as and when required by the Chief Financial Officer and / or the Finance Resources and Risk Committee.

3. DEBT POLICY

3.1 Objective and Scope

The objective of this policy is to establish a framework for the prudent use of debt. This objective acknowledges that the use of debt is one source contributing to a balanced, long-term funding strategy. Debt must not exceed a conservative level based on Council borrowing approval and be consistent with the long-term capacity to fund repayments and may have regard to appropriate benchmarks such as debt to EBITDA ratio or other debt servicing capacity ratios as deemed appropriate by Finance, Resources and Risk Committee.

Within this framework, this policy further:

- establishes a comprehensive view of the University's long-term position on debt
- establishes an increased awareness of issues concerning debt
- ensures a common understanding between the University's management, staff and stakeholders of the University's debt preferences, and
- demonstrates to lending institutions that the University adopts a disciplined approach to borrowings and the use of debt.

This policy will apply to the University's long-term financial plan and all transactions contemplated or entered into by Griffith Treasury.

3.2 Policy Statement

Griffith Treasury will utilise debt as part of a balanced, long-term funding strategy to:

- minimise net financing costs
- make best use of the University's available cash flows
- manage liquidity, and
- enhance financial sustainability.

The University will manage borrowing and debt levels to target the financial sustainability guidelines for debt and interest coverage supported by both the Department of Education and Training (DET) and Queensland Treasury Corporation and meet the Universities own guidelines or performance indicators to the extent these are established.

3.3 Policy Guidelines

Part 5 of the *SBFA* Act details the borrowing powers for statutory bodies. Approval from the Queensland Treasurer is required should the University want to borrow from a source other than Queensland Treasury Corporation.

3.3.1 General Principles

The following general principles apply to all borrowings:

- The University will not use debt to finance operating activities or operating expenditure.
- The University recognises the additional cost incurred when assets are acquired through the use of debt and that this cost should be absorbed through increased costs of providing that infrastructure.
- The University will endeavour to fund its Capital Management Plan from operating cash flows. Where borrowing is required to support the plan funding, any projects included will have been assessed against the following required attributes:
    - Strategic importance; and
    - The ability of the project to produce new or increased income.
- The University acknowledges that the prudent use of debt can foster intergenerational equity and complements part of a long-term balanced funding strategy.
- When the University finances capital projects through debt, it will repay that debt over a term that does not exceed the life of those assets.
- All relevant financial reports will give full disclosure of existing debt.

- Griffith Treasury will liaise with the Department of Education and Training and Queensland Treasury Corporation around the appropriate term and structure of debt within the terms of the Department of Education and Training's approval.

3.3.2 Leasing

The University has the power to enter into leasing arrangements under operation of Section 6 (1) (b) of the Griffith University Act 1998. Leasing includes Operating and Financial leases and all leases will be managed by applying the following general principles:

- A cost benefit analysis will be undertaken on any proposed lease. Up to three (3) quotes will be obtained, where possible, and that the best available quote will be chosen. The panel of financiers quoting could include Queensland Treasury Corporation who may also be used to source other quotes.
- The University will not enter into a lease unless it is proven to be the least-cost option, except through specific approval by the Chief Financial Officer.
- Griffith Treasury is responsible for ensuring that the lease criteria are met prior to any leasing arrangements being entered into.
- The appropriate Accounting Standard will be used for the treatment and disclosure of leases on University financial reporting.

Requirements for each specific lease type will be applied as below and in accordance with the Queensland Leasing Approval Policy for Public Sector Entities:

Operating Leases:

- Operating leases are a permitted form of activity available to the University where the total net present value of the base lease rental payments for any one lease does not exceed $2.0 million.
- Where the lease requires indemnity the University will ensure that it is warranted and if so appropriate risk mitigation strategies are in place.

Finance Leases:

- If any Finance lease is to be entered into the University will seek approval from the Queensland Treasurer as required under the SBFA Act.

3.3.3 Bank Guarantees

Bank guarantees, where required, will be managed by applying the following strategies:

- Guarantees will only be entered into where a known encumbrance exists.
- Guarantees will be denominated in AUD if possible.
- For guarantees valued at $250,000 or less, the University's transactional bank will be used unless use of an alternative bank is specifically approved by the Chief Financial Officer.
- For guarantees valued greater than $250,000, quotes must be obtained from the University's transactional bank and Queensland Treasury Corporation unless specifically approved by the Chief Financial Officer.

4. RISK MANAGEMENT

4.1 Credit Risk

General Principle:

The primary objective of managing credit risk is to ensure that the University does not suffer losses due to counterparty failure that significantly impacts the financial performance of the University.

Management of the Risk:

Credit risk will be managed by adhering to the investment parameters and credit requirements set out in Appendix B of this policy. Cash and Growth investments will only be made with ADIs approved by APRA. Direct investments will only be made with organisations that meet the Policy ESG criteria and are constituents of the Dow Jones Sustainable Australia Index.

4.2 Liquidity Risk

General Principle:

The primary objective of managing liquidity risk is to ensure that there are sufficient funds available to meet the University's financial commitments when required. It is also to plan for unforeseen events which may curtail cash flows and cause pressure on liquid assets. The possible causes of a crisis in liquidity include:

- unexpected reduction in revenues
- unexpected increase in operating expenses
- unexpected capital expenditure
- sustained reduction in profitability, and
- business disruption.

Management of the Risk:

- Liquidity risk levels are assessed as requiring sufficient cash investments to cover 6 weeks of University outgoings, presently $100m.

4.3 Foreign Exchange Risk

General principle:

The primary objective of managing foreign exchange risk is to mitigate the University's exposure to revenues and expenses denominated in foreign currency.

Management of the risk:

Foreign exchange risk will be managed by:

- exchanging sufficient cash into the required currency as soon as practicable, once the requirement is known, to provide budget certainty for the University.
- maintaining accounts denominated in commonly required currencies with balances sufficient to meet forecasted expenditures in that currency. The currencies for which accounts should be maintained include but are not limited to USD, HKD, JPY, EUR and GBP.
- The University may enter into derivative transactions for known purchases/commitments only and the derivative may only be entered into to hedge against foreign currency exchange rate risk.
- The type of derivatives which may be entered into is limited to caps and collars, futures, forwards and foreign exchange contracts.
- Derivative transactions are subject to the requirements of Part 7 of the SBFA Act.
- Speculative transactions are strictly not permitted.
- Each transaction requires prior approval from the Chief Financial Officer and must be reported in accordance with sections 55 and 56 of the SBFA Act.
- All hedging transactions must be included in the regular report to the Finance, Resources and Risk Committee.

4.4 Commodity Price Risk (Electricity only)

General principle:

The primary objective of managing commodity price risk is mitigating the University's exposure to increased commodity prices.

Management of the risk:

Commodity price risk will be managed by:

- negotiating supply contracts with a fixed price for the commodity, where possible.

5. TRANSACTIONAL BANKING FUNCTION

5.1 General Principles

The Treasury function at the University requires a centralised management of transactional banking and risk management functions. Transactional banking must be provided by one of the ADIs. Responsibility for transactional banking rests with the Chief Financial Officer who has the following delegations to implement this centralised approach:

- Authority to maintain, operate and close bank accounts. A complete list of all approved open bank accounts is contained in Appendix C.
- Negotiation of automatic and manual transfers of funds facilities.
- Requesting the operation of any service to any account.
- Act as Authorised Person / Verifying Officer in relation to banking contracts and accounts.
- Issuance of instructions to a bank regarding manual payments, safe custody or security procedure in accordance with policy and delegated authority.
- Attestation that any document is a true and complete copy of any other document.
- Negotiation and execution of facilities or limits required to optimise bank account structures (i.e., 'daylight' or Real Time Gross Settlement (RTGS) limits).
- Negotiation and execution of agreements to facilitate the implementation of risk management strategies (i.e., International Swaps and Derivations Association (ISDA) agreements).
- Installation of software to facilitate management and reconciliation of any account.
- Recommend the Execution of any legally binding agreement and any associated documents to novate hedging or trade finance arrangements to or from the University in accordance with the Treasury and other policies and delegated authorities.

The Chief Financial Officer may delegate the above responsibilities to the Treasury Director or other University Officers as required.

5.2 Signatories

Signatories for banking arrangements must be selected from the approved delegation list, which will be reviewed and approved by the Chief Financial Officer at least twice per year.

5.3 Software Installation

The Treasury Director may delegate the actual installation process of software to the Chief Technical Officer and their team. If this delegation occurs, the Treasury Director remains responsible for ensuring that software is satisfactorily implemented.

To ensure satisfaction with the implementation, the Treasury Director may engage internal or external audit to assess the installation in compliance with audit regulations.

APPENDIX A: DEFINITIONS

These terms have the following meaning in this document.

Term	Definition
At call	Where the investment can be redeemed and the monies invested can be retrieved from the financial institution within 24 hours or in the case of investments with set maturity dates within 30 days without penalty. Cash funds that the University may, without penalty, obtain all amounts under the investment: a) Immediately upon providing notice to the entity in which the funds/investments are held; or b) Within 30 days after the notice is given to the entity in which the funds/investments, with set maturity dates are held.
Asset Allocation	The invested funds exposure to various assets products.
Australian Prudential Regulation Authority (APRA)	The Australian Prudential Regulation Authority (APRA) oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurance, friendly societies and most members of the superannuation industry. APRA approves institutions as ADIs.
Authorised Deposit-taking Institutions (ADIs)	Authorised Deposit-Taking Institutions (ADIs) is an Australian government term for a corporation which is authorised under the Banking Act 1959 to take deposits from customers. ADIs include banks, building societies and credit unions. The full list of ADIs is available at the following link: http://www.apra.gov.au/adi/Pages/adilist.aspx
AUD	Australian dollar
Bank Account – investment	Griffith University AUD transactional account. Full account lists are set out in Appendix D
Bank Account - hedging	Griffith University Foreign currency accounts held either onshore or offshore. Full account lists are set out in Appendix D
Bank Guarantee	A Bank Guarantee is an alternative to providing a deposit or bond directly to a supplier or vendor. It is an unconditional undertaking given by the bank to pay the recipient of the guarantee the amount of the guarantee on written demand.
BBSW	Bank Bill Swap rate
Borrowing/Debt	The raising and obtaining, in any way, of money, credit and other financial accommodation
Conflict of interest	A situation where a person's private interests may benefit from decision or actions that they are entrusted to undertake. The University Conflict of Interest policy is located at: http://policies.griffith.edu.au/pdf/Conflict of Interest Policy.pdf
CPI	Consumer Price Index. A measure of price inflation issued by the Australian Bureau of Statistics. The CPI measure used is the All Groups (weighted average eight capital cities).

Term	Definition
DET	Department of Education and Training (Queensland)
DET (Federal)	Department of Education and Training (Commonwealth)
Distribution Rate	The rate set annually by Finance, Resources and Risk Committee to take account of maintaining the CPI adjusted value of the initial allocation and the investment returns achievable across the funds.
Dow Jones Sustainability Australia Index (DJSAI)	The index is composed of sustainability leaders within the top 30% of companies in the S&P/ASX 200 based on long-term economic, environmental and social criteria. Bloomberg terminals display the index and overall returns on ticker codes: SAMAU = Dow Jones Sustainability Australia Index & SAMAUTR = Dow Jones Sustainability Australia Total Return Index.
Endowment	An investment fund established by the University for receiving third party donations as well as contributions for the University's own reserves with the purpose of generating operating income for specific or general purposes. The Endowment Distribution and Investment Policy is located at: http://policies.griffith.edu.au/pdf/Endowment Distribution and Investment Policy.pdf
EUR	Eurozone euro
Finance Lease	A Finance lease is often used to buy equipment for the major part of its useful life. In a Finance lease the ownership of the property is transferred to the lessee at the end of the lease by way of an agreed residual payment.
Fitch	Fitch IBCA (Australia) Pty Ltd
Fund	A sum of money or other resources set aside for a specific purpose (eg. A managed fund, investment asset).
Fund Manager	A person appointed by the University to manage its investment arrangement on its behalf
GBP	British pound
Griffith Act	*Griffith University Act 1998* (Qld)
Hedging	Treasury transactions to manage residual exposure to foreign currency risk and interest rate risk
HKD	Hong Kong dollar
Investment Adviser	An organisation appointed by the University to provide advice on investment markets and strategic asset allocation.
Investment Portfolio	The University's total funds available for investment.
Investments	Arrangements that are undertaken or acquired with the expectation of achieving a financial return.
ISDA	International Swaps and Derivations Association
JPY	Japanese yen
Lease	An agreement whereby the lessor (owner) conveys to the lessee (user of asset/s) in return for a payment or series of payments the right to use an asset for an agreed period of time
Long-term investment	Greater than three years

Term	Definition
Long-term rating	The rating assigned to an organisation or product by a rating agency such as S&P in relation to the risk assessment of that organisation or product for the period longer than 12 months ahead.
Moody’s	Moody’s Investors Service
Operating lease	An operating lease agreement is to finance equipment for less than its useful life, and the lessee can return equipment to the lessor at the end of the lease period without any further obligation.
OTC	Over-the-counter
Prudent person standard	A legal standard restricting the investing and managing of activities to what a prudent person might exercise for their own investment.
QIC	Queensland Investment Corporation
QTC	Queensland Treasury Corporation
Queensland Treasurer	The Treasurer of Queensland
RBA	Reserve Bank of Australia
RTGS	Real Time Gross Settlement
S&P	Standard and Poor’s (Australia) Pty Ltd
SBFA Act	*Statutory Bodies Financial Arrangements Act 1982* (Queensland)
SBFA Regulations	*Statutory Bodies Financial Arrangements Regulations 2007* (Queensland)
Short-term investment	Normally less than twelve months but may be up to 3 years.
Short-term rating	The rating assigned to an organisation or product by a rating agency such as S&P in relation to the risk assessment of that organisation or product for the following 12 months.
Speculative Transactions	Transactions which engage in financial speculation in an attempt to profit from fluctuations in the market value of an investment rather than attempting to profit from the underlying financial attributes embodied in the investment such as capital gains, interest, or dividends. E.g. Transactions where the aim is to profit from a market movement rather than holding the investment through to maturity.
USD	United States dollar

APPENDIX B: CREDIT RATINGS AND INSTITUTION LIMITS

The below are the credit ratings and institution limits approved by the Finance, Resources and Risk Committee. Managed funds may be used as approved by the Queensland Treasurer or as allowed within the Governing legislation.

Cash Strategy Limits

Short-term rating (S&P)	**Institution limit**	**Maximum portion of available funds**
Queensland Treasury Corporation / Queensland Investment Corporation	100%	100%
AAA	50%	75%
AA	40%	60%
A	20%	40%
BBB	15%	25%
Lower than BBB	Nil	Nil

If the rating of a current investment falls below the required level, either:

- the Chief Financial Officer approval must be obtained to continue the investment, or
- if approval is not granted, the investment must be liquidated within 28 days of the change in the rating becoming public.

Growth Strategy Asset Allocation Ranges

Asset Class	Minimum	Maximum
Equities – Domestic and International	0	60
Real Estate – direct property	0	15
Infrastructure – listed	0	15
Diversified Alternatives	0	25
Global Fixed Interest	0	35
Cash	0	35
Absolute Return	0	5

APPENDIX C: APPROVED OPEN BANK ACCOUNTS AND SIGNATORIES

	INVESTMENTS				DEBT	BANK ACCOUNTS								
						Bank / Agency:	ANZ							Citybank
Griffith UNIVERSITY	QIC	QTC	Term Deposits	Interactive Brokers (SIF)	QTC	Transaction / Account Type:	Primary	Foreign Currency	Foreign Currency	Foreign Currency	Foreign Currency	Gold Coast Innovation Centre Ltd		Friends of Griffith
						Location:	Brisbane	Brisbane	Brisbane	Brisbane	Hong Kong #	Gold Coast	Gold Coast	New York
						Account Number:	014-269 8370-69034	107854HKD-0001	107854JPY00001	107854USD00001	010000412308 HKD	487337608	487337659	36378777
						Swift:	ANZBAU3MXXX	ANZBAU3MXXX	ANZBAU3MXXX	ANZBAU3MXXX	ANZBHKHXXXX			CITIUS33
						IBAN/ABA:								ABA021000089
	AUD	AUD	AUD	AUD	AUD	Currency	AUD	HKD	JPY	USD	HKD	AUD	AUD	USD
Bray Centre														
Peter Bryant **Vice President** Corporate Services	✓	✓			✓	Special Signatory	✓	✓	✓	✓				✓
						General Signatory	✓	✓	✓	✓	✓	✓	✓	
						Authorised Officer	✓	✓	✓	✓	✓	✓	✓	
						Administrator								
Michelle Clarke **Chief Financial Officer** Finance	✓	✓	✓	✓	✓	Special Signatory	✓	✓	✓	✓				✓
						General Signatory	✓	✓	✓	✓	✓	✓	✓	
						Authorised Officer	✓	✓	✓	✓	✓	✓	✓	
						Administrator								
Howard Ward **Deputy CFO & University Financial Controller** Financial Control	✓	✓	✓	✓	✓	Special Signatory	✓	✓	✓	✓				✓
						General Signatory	✓	✓	✓	✓	✓	✓	✓	
						Authorised Officer	✓	✓	✓	✓	✓	✓	✓	
						Administrator								
Rohan Dowling **Treasury Director** Financial Control	✓	✓	✓	✓	✓	Special Signatory	✓	✓	✓	✓				✓
						General Signatory	✓	✓	✓	✓	✓	✓	✓	
						Authorised Officer	✓	✓	✓	✓	✓	✓	✓	
						Administrator	✓	✓	✓	✓	✓	✓	✓	
Mark Buckle **Deputy Financial Controller** Financial Control	✓	✓	✓		✓	Special Signatory								✓
						General Signatory	✓	✓	✓	✓				
						Authorised Officer	✓	✓	✓	✓	✓	✓	✓	
						Administrator								
Ben Spragge **Head, Financial Planning & Analysis** Financial Planning and Analysis		✓				Special Signatory								
						General Signatory	✓	✓	✓	✓				
						Authorised Officer	✓	✓	✓	✓	✓	✓	✓	
						Administrator								
James Fox **Head of Business Partnering** Finance Business Partnering		✓				Special Signatory								
						General Signatory								
						Authorised Officer								
						Administrator								
Sewell Building Centre														
Suganthi Sivasubramaniam **Head of Business Services** Business Services	✓					Special Signatory								
						General Signatory	✓	✓	✓	✓				
						Authorised Officer	✓	✓	✓	✓	✓	✓	✓	
						Administrator								
Gold Coast														
John Koutsellis **Mgr.-Accts Rec.&Health Clinics** Business Services						Special Signatory								
						General Signatory								
						Authorised Officer								
						Administrator	✓	✓	✓	✓	✓	✓	✓	
Sharon Jennings **Finance Off. (Patient Records)** Business Services						Special Signatory								
						General Signatory								
						Authorised Officer								
						Administrator	✓	✓	✓	✓	✓	✓	✓	
Nicole Dunn **Team Leader, AR/SF** Business Services						Special Signatory								
						General Signatory								
						Authorised Officer								
						Administrator	✓	✓	✓	✓	✓	✓	✓	
MISC														
Nicholas Mathiou **Director** Griffith Enterprise						Special Signatory								
						General Signatory						✓	✓	
						Authorised Officer								
						Administrator								

Physical Signature	Physical Signature	Special Signatory	Authority to appoint, remove signatories, open or close accounts
		General Signatory	Authority to sign cheques and give payment instructions
Online Platform	Online Platform	Authorised Officer	Authority to add and remove Administrators
		Administrator	Authority to set the access right of users