

## 1. Document Details

<b>Title:</b>	Treasury Risk Management Policy
<b>Author(s):</b>	Financial Accountant's Office
<b>Version No:</b>	2
<b>Status:</b>	Final

**Important Note:** If the 'Status' of this document reads 'Draft', it has not been finalised and should not be relied upon.

## 2. Revision History

Version	Revision Date	Summary of Changes	Changes tracked?
1	Jan 2021	First MTU Policy	No
2	March 2024	Full Policy Review	No
3			

## 3. Relevant Existing/Related Documents

Technological Universities Act 2018
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## 4. Consultation History

**This document has been prepared in consultation with the following bodies:**

John Finn, Treasury Solutions Limited
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## 5. Approvals

**This document requires following approvals (in order where applicable):**

Name	Date	Details of Approval Required
Finance Committee	11/04/2024	Recommendation of Policy

Governing Body	11/04/2024	Approval of Policy
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# Treasury in Munster Technological University

## 1.1 Background

Under the Technological Universities Act 2018, the Governing Body of MTU performs the functions of the University. MTU is also subject to a Code of Governance as adopted by it, which is similar to the Code applicable to institutes of technology.

The day-to-day financial running of MTU is the responsibility of the Finance Office (“Finance”) and responsibility for treasury management and treasury risk management resides with this function.

Treasury practices are subject to regular Internal and External Audit. In addition, to comply with best practice, these policies and procedures will continue to be formally approved by the Governing Body of MTU. This policy will be subject to external best practice review every three years.

The provisions of this policy are deemed to apply to all subsidiaries of MTU.

This Policy will also be updated to reflect directions from the Higher Education Authority and the Department of Education from time to time.

## 1.2 Attitude to Treasury Risk Management

Treasury risk management aligns strategic goals with risk tolerances. The objective is to minimise costs and maximise income in a risk averse manner.

Treasury risk management within MTU is managed by the Finance function. It is focussed on

- Funding and liquidity;
- cash management;
- investment of surplus funds and
- management of bank relationship.

This Policy covers each of these activities by stating the treasury objective(s) in the area and setting out the specific provisions thereafter in order to meet the objective(s).

The production and approval of this Treasury Risk Management Policy and Procedures document reflects MTU’s commitment to comply with applicable codes and with best practice.

## 1.3 Ethics

### (a) Fundamental Principles

The Finance function seeks to adhere to high ethical standards in its operations. The principles to which it seeks to adhere are contained in MTU codes of conduct and include:

- Integrity
- Loyalty
- Fairness and objectivity
- Responsibility
- Competence and professional behaviour
- Honesty
- Accountability

### **(b) Gifts and Hospitality**

The Finance function is subject to provisions of the MTU Hospitality Procedures.

#### **1.4 Staffing and Training**

It is the policy of MTU to staff the Finance function with personnel who have appropriate experience, qualifications, skill levels and degree of specialisation. Resources will be allocated for training to maintain these principles.

#### **1.5 Approval**

The Governing Body of MTU formally approved this document on **[insert new date]**.the Policy is subject to regular annual review and re-approval by Governing Body if required. The approval will be routed through the Finance committee of the Governing Body.

# Statement of Strategic Treasury Risk Management Objectives

The goal of MTU Treasury Risk Management is to align policy and procedures associated with treasury operations carried out by the Finance function of MTU with the risk tolerances of the University. As a publicly funded education institute, MTU has low tolerances with respect to all risks.

Treasury operations in MTU comprise:

- Funding and liquidity
- Cash management
- Investment of surplus funds
- Bank relationship management.

The risks arising include:

- Operational risk
- Financial risk
- Reputational risk.

Treasury risk policies and associated controls are designed to manage and control risks appropriately in an integrated manner where they may not be eliminated.

## Treasury Policy Provisions

### 3.1. Liquidity and Funding

#### Objectives:

- I. **To ensure that MTU has access at all times and at acceptable cost to sufficient cash and funding facilities to enable it to meet its short-term requirements as set out in the annual budget of MTU.**
- II. **To ensure the availability of sufficient funds to facilitate MTU's medium-term operations as set out in the University's Programme and Budgets.**
- III. **To ensure appropriate funding of the Technological University's capital programmes.**

3.1.1 MTU is currently in a net cash position and ensures that as part of its annual budget in each academic year it has sufficient cash to fund day-to-day financial obligations as they fall due within that calendar year. The University ensures that it has a minimum €22m cash in addition to the lowest cash position forecast in the annual budget.

3.1.2 MTU does not currently have any loans or overdrafts. As a Technological University, MTU may borrow money by means of loan or overdraft and may guarantee borrowings subject to the rules of the HEA (as approved by the relevant Ministers) in relation to borrowing, guaranteeing and underwriting. Provisions relating to borrowings are covered in Section 21 of the Technological Universities Act, 2018. There is as of yet no borrowing framework in place.

3.1.3 Major Capital works will be funded and structured on a case-by-case basis depending on the details and requirements of the project in question. MTU will consider the use and mix of third-party participation in such funding arrangements and will consider a broad range from bank funding to Public Private Partnerships.

3.1.5 The provisions of Section 3.4 of this policy will govern relationships with banks/financial institutions.

## 3.2 Cash Management

### Objective:

**To establish clearing bank arrangements which facilitate the cost-efficient and time-effective receipt and disbursement of funds for MTU.**

- 3.2.1 MTU will manage current account balances to maximise levels of surplus funds available for investment and liquidity.
- 3.2.2 The Finance function will control funds centrally for MTU.
- 3.2.3 MTU will minimise the number of bank accounts in order to maintain tight control over the operation of such accounts.
- 3.2.4 To further reduce the costs of managing funds, MTU will seek to transfer surplus balances into deposit accounts on a timely basis where such action results in a better economic outcome.
- 3.2.5 All bank account balances are reviewed weekly by the Finance function and reported as required to the Finance Manager.
- 3.2.6 Bank accounts with Qualifying Financial Institutions (as set out in Appendix IV) can be opened with the approval of the relevant Vice President. Bank accounts with new banks can be opened following the completion of a new bank mandate signed by the relevant signing authorities and must be in the name of MTU<sup>1</sup>. These banks will then have to be added to the list of Qualifying Financial Institutions once approved by the Governing Body through Finance committee before any accounts can be opened with them.
- 3.2.7 The bank chosen by MTU for all of its operational banking will be selected as a result of a tender process subject to public procurement requirements.
- 3.2.8 Bank charges are negotiated by Finance as part of the tender process.

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<sup>1</sup> Separate account opening policies apply to subsidiary bank accounts

### 3.3 Investment of Funds

#### Objectives:

- I. **As a public body and third level education institution which is partially Government funded, the primary objective in investing surplus funds is to protect the capital value of such funds at all times through the use of appropriate investment instruments and products meeting defined credit risk criteria.**
- II. **To optimise MTU's Income and Expenditure Account by the active management of its funds in order to maximise returns on investments, subject to defined credit risk and other risk parameters.**

- 3.3.1 Only Finance will manage the investment of MTU funds including bank accounts under its control.
- 3.3.2 Based on current funding norms of the University, MTU will mainly have short-term (less than one year) funds to invest. The purpose and profile of availability of such funds and requirement to have ready access to a significant % of funds at any point in time will have an impact on the maximum time period for which such funds can be invested.
- 3.3.3 Short-term funds must only be invested for periods for which the surplus cash balances are forecast to remain in place. This will be based on data contained in the annual budget or the latest cashflow forecast.
- 3.3.4 MTU will split their surplus funds into three categories: immediate (required in next month), short-term (1-3 months) and medium-term (up to 18 months)<sup>2</sup>.
- 3.3.5 Finance may only invest in instruments or investment products where the capital value is guaranteed from the outset or if held to maturity.
- 3.3.6 Investment products currently deemed suitable are bank deposits, short-term gilts (where investment is in the gilts themselves rather than in a fund that invests in gilts) (Republics of Ireland and Germany only) and AAA-rated money market funds.
- 3.3.7 Investments will only be placed with Qualifying Financial Institutions who meet pre-determined criteria including credit ratings as set out in Appendix III ("Acceptable Counterparty Criteria"). Qualifying Financial Institutions will fall into one of two categories or Tiers which are also set out in detail in Appendix III. Tier 1 will represent the most acceptable counterparty credit risk category whilst Tier 2 will represent the lower level of acceptable counterparty credit risk.
- 3.3.8 The maximum amount of cash to be placed with Qualifying Financial Institutions will be €25m for Tier 1 institutions and €20m for Tier 2 institutions.
- 3.3.8 Updated credit ratings will be monitored continuously and changes reported to the Finance committee.
- 3.3.9 Where the long-term credit rating differs between S&P and Moody's, the lower rating will be the applicable rating for deciding which tier the financial institution occupies.

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<sup>2</sup> Investments of between 12 and 18 months only apply to funds available for capital development



3.3.10 Where a credit rating changes and results in a Qualifying Financial Institution moving downwards from Tier 1 to Tier 2, any decision to alter the quantum of exposure prior to the maturation of the related investments will be the decision of the relevant VP.

3.3.11 Where a credit rating changes and results in a Qualifying Financial Institution moving downwards from Tier 2, the exposure will be reduced to zero as quickly as can be enacted as such exposures would fall outside of our acceptable credit risk criteria.

All banks are requested to supply quotes for term deposits when they are being placed and/or rolled over.

### 3.4 Bank Relationship Management

**Objective:**

**To maintain and develop relationships with selected banks in order to retain their support for MTU and to facilitate the achievement of Treasury objectives in the medium-term.**

**Retail Clearing Banks**

- 3.4.1 Finance is responsible for the management of MTU's retail banks relationships. This is important in order to ensure consistency and full compliance with any relevant agreements and tenders.
- 3.4.2 Finance will meet its Operating (clearing) bank formally at least once every year.
- 3.4.3 MTU will select one bank in Ireland to provide clearing facilities for its operations.
- 3.4.4 Banks will be selected on a range of bases including
  - their ability to provide an appropriate range of quality services and products
  - their ability to provide such services and products at competitive prices
  - technological capabilities
  - sustainable metrics.
- 3.4.5 Finance will commence consideration of banks capable of providing financing should the Programmes and Budgets or Capital plans show such a requirement. Only Finance may develop such relationships and the relationships will be managed in accordance with this policy as updated for such requirements.

# Treasury Procedures and Reporting

## 4.1 Procedures

The investment of funds in MTU is managed by Finance. The procedures adopted and the authorisations for the various deposits are as follows:

### **Short term (0 – 3 months) – Recurrent Funds**

1. Bank balances are taken to start the tender process - excl. Capital Development Reserve which is invested separately for specific capital projects
2. A forecast of receipts and payments for the deposit term is prepared in consultation with relevant staff in the following areas when seeking new deposits or their rollover:
  - Buildings and Estates
  - Fees & Income
  - Research & Development
  - Payroll
  - Payments Section
3. The cash available for deposit is established from this forecast
4. Each approved bank as per this policy is contacted by email requesting the following information
  - Interest rate applicable (AER)
  - Fixed and variable options
  - Penalties or charges applying to any breakage in term
  - Their rules relating to partial withdrawal from and additions to the investment during the term
5. The emailed responses are reviewed and summarised by the Finance Office and the successful bank selected
6. The selection is based on tiered counterparty credit ratings as set out in Appendix III and rate in the first instance, but the terms of the product are also taken into account
7. A summary report is prepared and reviewed by the Finance Manager
8. The report is then signed by the relevant Vice President and Finance Manager.
9. All banks are notified and the relevant transfers done to the successful bank
10. This process is also followed for deposits identified below but subject to the additional criteria for each.

### **Short term (0 – 3 months) – Recurrent Funds**

Where funds are available for up to 90 days, quotes will be sought from all banks.

### **Medium term (3 months+) – Recurrent Funds**

Where funds are available for more than 90 days, quotes must be sought via a tender process from all of the Qualifying Financial Institutions.

### **Capital Development Reserve**

1. The purpose of the funding and the timescale of the spend is established  
*Section 04 - Treasury Policy v2.1 (Mar 2024)*

2. The monies applied to the Capital Development are reviewed, to determine which are ring-fenced for such purposes

3. The funds are invested in long-term deposits.

## 4.2 Reporting

### Cash Management

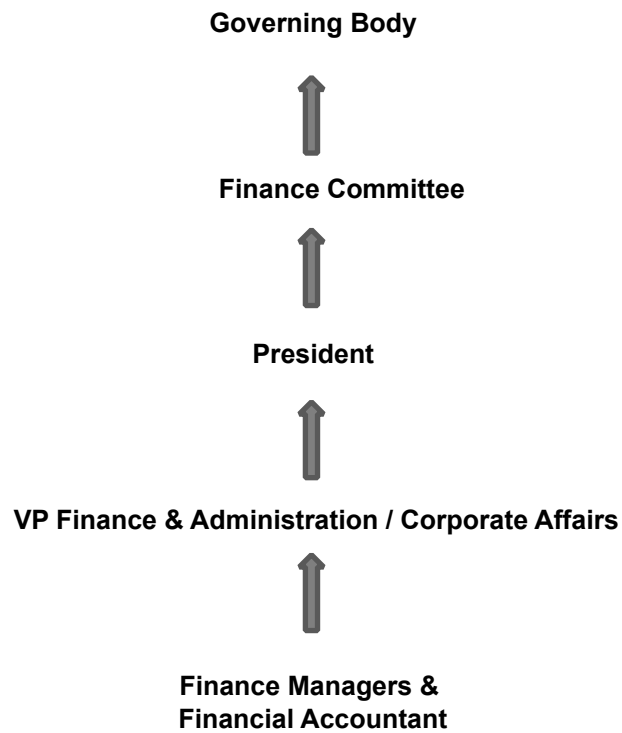
Frequency	Detail	Produce by <sup>2</sup>	Distribute to
Weekly	Bank balances recorded once a week	Finance	Finance Manager
Monthly	Bank reconciliation statements	Finance	Finance Manager
Quarterly	Update of bank accounts opened and closed and changes to approved signatories	Finance	Financial Manager

### Investment of Surplus Funds

Frequency	Detail	Produce by	Distribute to
As required	Cash forecasts completed and Tenders done with all approved banks.	Finance	Financial Accounts
As required as part of tender process	Confirm current credit ratings of all financial counterparties	Finance	Finance Committee

# Appendix I

## FINANCE AND TREASURY STRUCTURE



## Appendix II

### PRINCIPAL ROLES AND RESPONSIBILITIES

The principal roles and responsibilities in relation to Treasury Management and Treasury Risk Management in MTU are summarised below:

Governing Body	<ul style="list-style-type: none"> <li>• Approve Treasury Policy</li> <li>• Approve new banks</li> </ul>
Finance Committee	<ul style="list-style-type: none"> <li>• Review internal and external audit reports on Treasury activities</li> <li>• Review Treasury Policy annually</li> <li>• Recommend new banks to Governing Body</li> </ul>
Vice-President for Finance and Administration / Corporate Affairs	<ul style="list-style-type: none"> <li>• Review proposed new banks for approval to the relevant Governing Body committee.</li> <li>• Review all Treasury activity and reporting to the Finance Committee and the Governing Body</li> <li>• Review the retail banking (and, if required, funding banking) tender processes</li> </ul>
Finance Managers and Financial Accountant	<ul style="list-style-type: none"> <li>• Undertake the retail banking (and, if required, funding banking) tender processes</li> <li>• Recommend the appropriate detailed Treasury operating parameters, specific instruments, counterparties and authority limits for each treasury activity to the Relevant Vice President</li> <li>• Undertake on behalf of MTU liquidity management, surplus fund management and daily cash management</li> <li>• Report to the Relevant Vice President on all aspects of treasury activities</li> <li>• Define and recommend to the relevant Vice President the Treasury Risk Management Policy (or changes therein)</li> <li>• Meet with the operating bank at least annually</li> <li>• Recommend new banks for approval to the relevant Vice President.</li> </ul>

## Appendix III

### ACCEPTABLE COUNTERPARTY CRITERIA

#### Introduction

“A Credit Rating is a formal, independent opinion of a borrower’s ability to service its debt obligations” – The UK Association of Corporate Treasurer’s Handbook. Credit ratings can be applied to a variety of debt issues/issuers and are used by companies as a means of evaluating the risk of placing deposits and other transactions which expose them to credit risk with certain banks.

#### Credit Rating Agencies

There are three main credit rating agencies: Standard & Poor’s (“S&P”), Moody’s Investor Services (“Moody’s”) and Fitch IBCA (“Fitch”).

#### Credit Rating Categories

All of the ratings agencies split their categories between short-term and long-term. These are designed to accommodate an evaluation of corresponding longevity. The structure of long-term ratings of S&P and Moody’s and long-term ratings of banks in the Irish market are as follows:

**Table 1: Counterparty Credit Ratings Structure**

Tier	Standard & Poor	Rating of Banks in Irish market	Moody's	Rating of Banks in Irish market
	Long Term	S&P	Long Term	Moody's
	AAA	Federal Government of Germany	Aaa	Federal Government of Germany
	AA+		Aa1	
1	AA	Republic of Ireland	Aa2	Rabobank
	AA-		Aa3	Republic of Ireland
	A+	HSBC Bank plc, Rabobank, Danske Bank, Barclays Bank Ireland PLC	A1	HSBC Bank plc, AIB Bank plc, Bank of Ireland
	A	AIB Bank plc, Bank of Ireland	A2	Danske Bank*, Permanent TSB
	A-		A3	
	BBB +	PTSB	Baa1	
2	BBB		Baa2	
	BBB-		Baa3	
	BB+		Ba1	
	BB		Ba2	

	BB-		Ba3	
	B+		B1	
	B		B2	
	B-		B3	
	CCC		Caa	
	CC		Ca	
	D		C	

\*This credit rating applies to deposits with this institution

Note: All counterparties in the orange section are deemed to be Tier 1 counterparties. All counterparties in the grey section are deemed to be Tier 2 counterparties. Any counterparty in the green section is deemed NOT to be an acceptable counterparty.

### Recommended Counterparty Credit Criteria and Limits

MTU will only deal with Banks/Financial Institutions that have satisfactory long, term credit ratings (i.e. at or above BBB- from Standard and Poor or Baa3 from Moody's

As a result of the above criteria MTU has categorised acceptable financial counterparties ("Qualifying Financial Institutions") into two Tiers as set out below.

The long-term credit rating continues to be the primary evaluation tool notwithstanding the fact that MTU will also monitor other metrics from time to time.

The credit rating must apply to the entity with which the investment is placed. Finally, the two Tiers of Qualifying Financial Institutions, the maximum amount that can be placed on deposit or invested in such institutions and the maximum period for which deposits or investments can be made are as follows:

**Table 2. Tiered Counterparty Credit Criteria**

Criteria	Tier 1	Tier 2
Minimum long-term credit rating of financial institution	A-	BBB+
Maximum deposit (principal)	€25m	€20m
Maximum maturity period	18 months	6 months



## Appendix IV

### QUALIFYING FINANCIAL INSTITUTIONS

1. Bank of Ireland
2. AIB Bank plc
3. PTSB
4. NTMA (Irish Government)
5. Barclays Bank Ireland plc

Bank	S&P Long-term Rating	Short-term Rating	Outlook / Creditwatch
Bank of Ireland	A	A-1	Stable outlook
AIB Bank plc	A	A-1	Stable outlook
Barclays Bank Ireland plc	A+	A-1	Stable outlook
PTSB	BBB+	A-2	Stable outlook
Government of Republic of Ireland	AA	A-1+	Stable Outlook
Government of Republic of Germany	AAA	A-1+	Stable Outlook