NTU POLICY

Title:	TREASURY MANAGEMENT POLICY
Approved by:	BOARD OF GOVERNORS
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Introduction

Nottingham Trent University (NTU) adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 4 of that Code.

Accordingly, NTU will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies and objectives of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the University. Such amendments will not result in the University materially deviating from the Code's key recommendations.

The University's Strategy, Policy, Finance and Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Strategy, Policy, Finance and Resources Committee will inform the Board of Governors, as necessary, of the University's treasury management activities.

The Treasury Management Policy will be ratified by the Board of Governors at least annually and formally updated at least every 3 years or sooner as required by the Board.

The University's Board delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategy, Policy, Finance and Resources Committee, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement and TMP. The Director of Finance is authorised by the Strategy, Policy, Finance and Resources Committee to delegate responsibilities (as so determined) to members of staff within the finance team.

TREASURY MANAGEMENT POLICY STATEMENT

Nottingham Trent University will manage its cash resources with respect to three key principles:

- Security of cash deposited;
- Maintenance of adequate liquidity to meet operational needs;
- Gaining an appropriate level of investment return (see *Appendix 2* for performance measurement).

In any decisions over cash deposits, the security of cash deposited will take precedence, whilst acknowledging that the complete avoidance of risk is neither appropriate nor possible.

The University defines its treasury management activities as:

"The management of the institution's cash flows, its banking, money market and capital market transactions, together with the effective control of the risk associated with those activities and the pursuit of optimum performance consistent with those risks."

TREASURY MANAGEMENT POLICY PRACTICES

TMP1 RISK MANAGEMENT

1.1 General Statement

The Director of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. University Bank accounts may only be opened on the authority of the Director of Finance and any bank mandate changes will require the joint authorisation of the Registrar and Chief Operating Officer and the Director of Finance.

1.2 Liquidity Risk Management

Liquidity risk is defined as the risk that cash will not be available when it is needed to settle the liabilities of the University as and when they fall due.

The University will ensure it has adequate, though not excessive, cash resources, borrowing arrangements, and overdraft or standby facilities, to enable it at all times to have the level of funds necessary for the achievement of its objectives. **The University's policy is to maintain immediately available cash balances on its pooled accounts with RBS (its clearing bank) of no more than £20m.**

If required, the Director of Finance is authorised to arrange short-term overdraft facilities with the University's bankers.

1.3 Interest Risk Management

Interest rate risk is defined as the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the University's finances.

The University will manage its exposure to fluctuations in interest rates with a view to containing its interest costs or securing its interest revenues in accordance with the amounts provided in the annual budget and using the instruments outlined in *Appendix 1.*

1.4 Exchange Rate Risk Management

Exchange rate risk is defined as the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the University's finances.

The University will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income and expenditure levels and using the financial instruments outlined in *Appendix 1.*

1.5 Inflation Risk Management

Inflation risk is defined as the risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the University's finances.

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the University as an integral part of its strategy for managing its overall exposure to inflation.

1.6 Credit and Counterparty Risk Management

Credit and counterparty risk is defined as the risk of failure by a third party to meet its contractual obligations to the institution under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness.

The University regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty relationships are constructed with security in mind, but with a reasonable spread to make the most of market conditions in accordance with the limits outlined in *Appendix 1*. The credit ratings of counterparties in use will be reviewed on an ongoing basis with reference to publically available ratings information.

1.7 Refinancing Risk Management

Refinancing risk is defined as the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the institution for those refinancing's, both capital and revenue, and/or that the terms are inconsistent with prevailing market conditions at the time.

The University will ensure that its borrowing, (to include any private financing and partnership arrangements) are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the institution as can reasonably be achieved in the light of the market conditions prevailing at the time. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

1.8 Legal and Regulatory Risk Management

Legal and regulatory risk is defined as the risk that the University, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements.

The University will ensure that all of its treasury management activities comply with its statutory powers and any regulatory requirements.

1.9 Fraud, error and corruption, and contingency management

This risk is that the University fails to identify the circumstances in which it may be exposed to loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements.

The University will ensure that it maintains current awareness of these circumstances as they arise and will take appropriate action wherever possible.

1.10 Market Risk Management

Market risk is defined as the risk that, through adverse market fluctuations in the value of the principal sums the University invests or borrows, that its stated treasury management policies and objectives are compromised.

The University will seek to protect itself from the effects of such fluctuations by regularly monitoring the performance of its investments and borrowings. Specifically, it will monitor and report on loan covenant compliance with its borrowers on a regular basis as agreed in relevant loan documentation.

1.11 Risk Management Techniques

The University will achieve mitigation of the above risks by compliance with its Treasury policies and by the prudent use of its approved financing and investment instruments, methods and techniques. This is primarily to create stability and certainty of costs and revenues, but at the same time retaining sufficient degree of flexibility to take advantage of unexpected and potentially advantageous changes in the level or structure of interest rates, exchange rates and inflation.

TMP2 PERFORMANCE MEASUREMENT

2.1 The University is committed to the pursuit of value for money. Its treasury management activities will be subject to the use of performance methodology as outlined in *Appendix 2* in support of that aim, along with regular examination of alternative methods of service delivery and of the scope for other potential improvements within the limitations of the resources available.

TMP3 DECISION MAKING AND ANALYSIS

3.1 The University will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in Appendix 2 to this document.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 The University will undertake its treasury management activities by limiting its investing activities to only those instruments, methods and techniques detailed in *Appendix 1* to this document and within the limits and parameters defined in TMP1 (risk management).

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES

5.1 The University considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities.

5.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

5.3 The Director of Finance will ensure that at all times those engaged in treasury management will follow the policies and procedures agreed by the University. He will also ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The delegations to the Director of Finance in respect of treasury management are set out in the University's Financial Regulations.

TMP6 REPORTING AND MANAGEMENT INFORMATION REQUIREMENTS

6.1 The University will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

The following matters will be reported annually to the Board of Governors at the time of their review of this policy as outlined in *Appendix 2:*

- Annual report on treasury operations for the year preceding;
- Analysis of deposits and investments by instrument, counterparty, maturity and interest period.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 The Director of Finance will present to the Board of Governors the annual budget to include income and costs associated with treasury management activities. The Director of Finance will exercise effective controls over this budget, and will report upon and recommend any changes required.

The University will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The University will ensure that its auditors and any other bodies charged with regulatory review have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8 CASH AND CASH FLOW MANAGEMENT

8.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University and its subsidiaries will be under the control of the Director of Finance, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis and will be presented to the Board of Governors for monitoring and review.

TMP9 MONEY LAUNDERING

9.1 The University is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained and fully aware of the University's Fraud Policy.

TMP10 STAFF TRAINING AND QUALIFICATIONS

10.1 The University recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Director of Finance will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 The University recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits.

The University will also ensure that the terms of any external appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. Where external service providers are appointed with the responsibility for day-to-day treasury matters the University will retain full responsibility for the safeguarding of its funds and setting the treasury strategy. Where services are subject to formal tender or re-tender arrangements, the University's Procurement Policy will be observed.

TMP12 CORPORATE GOVERNANCE

12.1 The University is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

TMP13 ETHICAL INVESTMENT AND SUSTAINABILITY POLICY

13.1 The University is keen to ensure that investment of surplus cash balances in accordance with this policy is undertaken in a socially responsible manner. The use of only a restricted list of high credit-rated counterparties provides some comfort in this regard though the policy does not include a list of prohibited companies or organisations, or types of companies or organisations. For the full Ethical Investment and Sustainability Policy see *Appendix 3.*

TMP14 BANKING ARRANGEMENTS

14.1 The University recognises the importance of ensuring effective control over its bank accounts. In line with the Financial Regulations, all funds due to the University are deposited in accounts with the University's main bank unless otherwise approved by the Director of Finance. Banking arrangements will be subject to periodic review.

APPENDIX 1

TREASURY RISK MANAGEMENT

A. INTEREST RATE RISK MANAGEMENT

The University's policy is to avoid exposure to interest rate fluctuations.

The Director of Finance will have regard to the maturity profile of the University's borrowings and the prevailing yield curve characteristics before undertaking any borrowing, and will consider whether the purchase of interest rate hedging instruments (see appendix 3 Glossary of Terms) to ameliorate interest rate risks may be necessary.

The Director of Finance will seek authorisation from the Board of Governors to enter into interest rate hedges.

Note *- The University is prohibited to enter into stand-alone interest rate hedging contracts and as such, any hedging it undertakes will be directly related and limited to a loan(s) embedded in relevant loan documentation from whichever bank is providing finance.*

B. FOREIGN EXCHANGE RISK MANAGEMENT

The University's policy is to avoid exposure to exchange rate fluctuations.

Currency receipts and payments should be forecast on a regular basis and any excess currency in hand translated into sterling, except where currency payments are due to be made, or where currencies are in adverse fluctuation.

With regard to the projected inflow and outflow of overseas currencies, the Director of Finance will consider whether the purchase of forward foreign exchange contracts *(see appendix 3 Glossary of terms)* to hedge fluctuations may be necessary to reduce foreign exchange exposures.

The Director of Finance is authorised to buy and sell currencies and enter into foreign currency agreements with any of the organisations listed below:

Counterparty	**Limit(s)**	
	US$	**Euro**
1. University Bankers (currently Royal Bank of Scotland)	15 million	10 million
2. Other UK Clearing Banks including Santander Bank	10 million	5 million
3. Financial Brokers regulated by the FCA for purchase/sales of currency	10 million	5 million

C. FINANCIAL CREDIT LIMITS FOR COUNTERPARTIES

Subject to the associated credit quality restrictions, the Director of Finance is authorised to enter into treasury financial transactions (deposits) with counterparties up to the following limits:

Counterparty	**Deposit Limit(s)**	
(subject to acceptable credit rating)	**Maximum amount**	**Maximum maturity**
1. University Bankers (currently RBS)	£20 million	Up to 24 months
2. Other UK Banks including Santander	£20 million	Up to 24 months
3. Building Societies	£20 million	Up to 12 months
4. Money Market Funds	£20 million	Up to 6 months

The limits set out above may be amended only with the approval of the Board of Governors.

D. APPROVED COUNTERPARTY CREDIT RATING LIMITS

The Director of Finance is responsible for monitoring closely the credit standing of approved counterparties. Treasury financial transactions (deposits) will only be entered into with organisations with credit ratings attracting at least the following with 2 Credit Rating Agencies:

Counterparties	**Minimum Credit Rating**					
	Moody's		**S&P**		**Fitch**	
	Short Term	**Long Term**	**Short Term**	**Long Term**	**Short Term**	**Long Term**
University's Bankers (currently RBS)	P-2	A1	A-2	BBB+	F2	BBB+
Other UK Banks including Santander	P-1	A1	A-1	A	F1	A
Building Societies	P-1	A1	A-1	A	F1	A
Money Market Funds	N/A	Aa	N/A	AAA	N/A	AAA

Note *- The above credit ratings are applicable as at the date of the TMP. They can change according to perceived creditworthiness and market conditions*

Where there is reason to believe that counterparty's credit standing is or may become impaired, action to lower exposure or to cease to use them should be taken.

E. APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

INVESTMENT AND DEPOSIT OF SURPLUS FUNDS

The overriding principle guiding the investment of surplus funds is to achieve a satisfactory return while reducing risk to a level acceptable to the University.

The types of investment that may be represented in the cash management portfolio include securities and money market instruments listed below (all denominated in sterling):

1. Deposits with approved banks.
2. Deposits with approved Building Societies.
3. Certificates of Deposit issued by FCA regulated financial institutions
4. Fixed interest funds
5. FCA regulated Money Brokers
6. FCA regulated money market funds

These investments are limited to the approved counterparty list and the operative financial and credit rating limits set therein.

F. REFINANCING

Where it is the intention of the institution to raise capital for new institutional projects, the Director of Finance will have regard to:

1. The level of security for the project
2. The value of assets already held as security on existing capital projects
3. Requirements of the financial memorandum with the funding council
4. Statutory restrictions and the institution's own powers and rules
5. Restrictions on the institution's use of its property assets required by covenants
6. The maximum level of assets that should be provided as security without risking the overall stability of the institution

The listing above is not in any order of priority. Unless it is essential that security be granted the Director of Finance will always attempt to negotiate an unsecured arrangement with the lending bank(s) subject to a negative pledge (see Appendix 3 glossary of terms).

APPENDIX 2

A. TREASURY PERFORMANCE MEASUREMENT

1. FREQUENCY AND PROCESS FOR TENDERING

The following services, where provided, will be subject to tender every 3 to 5 years. The tender process will be that followed by the University, contained within the procurement policy.

- Fund Management Services
- Financial Advisory Services
- Cash management, money broking services and general financial advice.

2. PERFORMANCE MEASUREMENT

IN-HOUSE PERFORMANCE

The benchmark for interest earned on self-managed funds will be:

Currency	Return
Euros	3m EURIBOR
US $	3m US$ LIBOR
£ UK	3m LIBOR

Management accounts will show funds held and interest earned.

3. INVESTMENT MANAGERS (If Applicable)

Benchmarks and reporting requirements as set out in agreement with the Fund Manager.

4. CASH MANAGERS/GENERAL FINANCIAL ADVICE

Benchmarks and reporting requirements as set out in specific agreements with the Manager.

B. ORGANISATION, SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

1. BOARD OF GOVERNORS

1. Approval of and consideration of amendments to the University's treasury management policy and practices.
2. Budget consideration and approval.
3. Receipt of and consideration of treasury management performance reports.
4. Approving the selection of external service providers and agreeing terms of appointment.

2. DIRECTOR OF FINANCE

1. Recommending the treasury management policy and practices for approval, reviewing the same regularly and monitoring compliance.
2. Submitting regular treasury management policy reports.

3. Submitting budgets and budget variations.
4. Receiving and reviewing management information reports.
5. Reviewing the performance of the treasury management function and promoting best value reviews.
6. Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
7. Recommending the appointment of external service providers.

3. HEAD OF FINANCIAL SERVICES

1. Execution of transactions.
2. Adherence to agreed policies and practices on a day-to-day basis.
3. Maintaining relationships with third parties and external service providers.
4. Supervising treasury management staff.
5. Monitoring performance on a day-to-day basis.
6. Submitting management information reports to the Director of Finance.
7. Identifying and recommending opportunities for improved practices.

C. REPORTING REQUIREMENTS

The following matters should be included in Reports to the Board of Governors;

1. ANNUAL REPORT

1. Commentary on treasury operations for the year.
2. Borrowing level, and details of outstanding loans.
3. Covenant compliance under loan agreements.
4. Annual financial strategy for the next financial year.
5. Proposed amendments to the treasury management policy statement.
6. Matters in respect of which the treasury management policy has not been complied with.

2. PERIODIC REPORTS

1. Analysis of currently outstanding loans, deposits and investments by instrument, counterparty, maturity and interest rollover period.
2. Cash flow compared with budget.
3. Commentary on continued applicability of annual financial strategy and proposals for amendments thereto.
4. Revisions to cash flow forecast and to estimates of future interest rates; effect on annual financial strategy and on revenue budget.
5. Proposed amendments to categories of approved counterparties and to credit rating limits.
6. Matters in respect of which the treasury management policy has not been complied with.

APPENDIX 3

Ethics and Sustainability

Sustainability is a key priority for Nottingham Trent University and this extends to how it invests its funds. To ensure that its investments match those of its corporate priorities including sustainability the University has adopted an Ethical Investment Policy.

The University does not knowingly invest in companies whose activities are potentially injurious to health (including alcohol or tobacco), companies that are within the fossil fuel sector, arms companies or corporations complicit in the violation of international law.

The University will make an active commitment, where possible, to increase the proportion of positive investments which are held (including within healthcare and the low carbon sector) and to directly reinvest in community-owned or on campus renewable energy projects.

The policy is a key schedule of the University's Treasury Policy and is reviewed on an annual basis by the University Finance and Resources Committee; the President of the NTU Students Union is a member of this committee.

General

1. The University routinely invests funds with third party organisations through the investment of surplus funds and endowments. It also makes investments in spin-out companies and other related parties as these opportunities arise. All investments are made in accordance with the University's Treasury Management Policy and this appendix 3 is embedded in that policy.
2. In deciding on counterparties and companies in which to invest, the University aims to remain consistent with ethical values in pursuit of its visions and values. In order to achieve these aims, the University will not knowingly invest in companies whose activities could be seen to endanger individuals or groups of people, or whose activities are inconsistent with the mission and values of the University, its community and its wider stakeholder network.
3. The University publishes a list of its investments to ensure open and transparent communication with its stakeholders. The University does not intentionally invest directly (or through collective funds) in organisations with high exposure to activities or substances which are injurious to health or the ecology, destabilise community cohesion, threaten international stability, or contribute to the development and maintenance of poverty, the abuse of children and the use of torture.
4. In order to ensure compliance with this policy the University will:
   a) Consider the ethical implications of investments alongside the commercial opportunities.
   b) Allow members of the University community and other relevant stakeholders to engage with the ethical investment policy by posting the policy on the University web pages with appropriate contact details.
   c) Ensure that where fund managers undertake the University's investments that they operate to socially responsible objectives consistent with those of the University.

Short Term Deposits

1. The bulk of the University's Investments are through money market deposits with approved Banks and Building Societies as described in the Treasury Policy and approved by the Finance and Resources Committee.
2. The Banks and Building Societies, when considered as counterparties, will be researched so to ascertain their ethical investment policy and suitability/compliance with the University's Ethical and Sustainability Policy.

Investments

1. A list of all investments is included in the University's Accounts which are published annually and publicly available on the University's website.
2. It is not the policy of the University to invest in equity holdings through the stock market. At present there are equity holdings as detailed in the Annual Accounts published annually. In the main these are legacy holdings of minimal value resulting from the development of spin out opportunities by the University.
3. The holdings are grouped as required by statute:
   a) Shareholdings in subsidiary undertakings,
   b) Other investments
   c) Endowment asset investments.

Other Investments

The University also has holdings in 'spin out companies' set up to strengthen research and regional engagement; to maintain financial sustainability and develop intellectual property owned by or originating from the University.

Pension Scheme Investments

The University is a member of various multi-employer funds constituted as separate corporate bodies with their own boards of trustees and governance procedures. Consequently, the schemes' funds are invested entirely separately from those of the University.

APPENDIX 4

GLOSSARY of TERMS used in TMP

1. **Deposits with approved Banks and Building Societies**
   The placing of fixed deposits with any of the University's approved list of counterparty banks and building societies for an agreed tenure within the University's maximum maturity limit at a fixed and agreed rate at execution.
2. **Certificates of Deposit issued by FCA regulated financial institutions**
   Negotiable and liquid 'fixed' deposits issued by FCA regulated institutions with a maturity date within the University's agreed maximum maturity limit.
3. **FCA (Financial Conduct Authority)**
   A government body set up to oversee financial firms. Any firm in the business of taking deposits must be FCA approved/regulated.
4. **Fixed interest funds**
   A debt instrument such as a bond, debenture or gilt-edged bond that investors use to loan money to a company in exchange for interest payments. A fixed-interest security pays a specified rate of interest that does not change over the life of the instrument.
5. **Rating Agencies**
   There are three main agencies Fitch, Standard and Poor's and Moody's. These agencies ascribe a credit rating to most institutions for short and long term investments
6. **FCA regulated Money Brokers**
   An FCA regulated intermediary who arranges deposits from Universities and other investors to banks and other financial institutions
7. **Negative Pledge**
   An undertaking in a loan document whereby the borrower pledges not to sell or dispose of any assets over an agreed amount without first seeking permission from the lender
8. **FCA regulated Institutional Money Market Funds**
   Qualifying collective investment schemes that are rated AAA by the recognised Credit Ratings Agencies and regulated for sale in the UK by the FCA, whose principal aim is preservation of capital
9. **Forward Exchange Contract**
   A forward exchange contract is an agreement under which a business agrees to buy a certain amount of foreign currency on a specific future date. The purchase is made at a predetermined exchange rate. By entering into this contract, the buyer can protect itself from subsequent fluctuations in a foreign currency's exchange rate.
10. **Interest Rate Hedge**
    This is basically an insurance protection against adverse movement in interest rate levels. A borrower enters into either an immediate or a forward start contract. The forward start contract allows the borrower to fix an interest rate to come into effect at some time in the future
11. **Money Market Fund**
    Money market mutual funds (usually referred to as money market funds or money funds) invest in short-term, fixed-income securities, otherwise known as money market investments. By definition, money market investments mature in less than one year.