



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# TREASURY MANAGEMENT STRATEGY 2014/15

Report of the Treasurer to the Fire Authority

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**Date:** 28 February 2014

**Purpose of Report:**

To inform Members of the Authority's Treasury Management Strategy for 2014/15.  
To seek approval of the Authority's Minimum Revenue Provision policy for 2014/15.

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## **1. BACKGROUND**

- 1.1 The Local Government Act 2003 requires the Authority to set out its treasury strategy for borrowing and to prepare an annual investment strategy; this sets out the Authority's policies for borrowing, for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.2 Treasury management is defined as "the management of investments and cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Authority adopted the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2009 (the Code) on 9 April 2010 (the Code was updated in 2011). It is a requirement of the Code that the Authority creates and maintains:
  - A treasury management policy statement, which states the policies, objectives and approach to risk management of its treasury management activities. This statement is given in Appendix A;
  - Suitable treasury management practices, setting out how the Authority will seek to achieve those policies and objectives and how activities will be controlled and managed. The Authority's practices were reviewed in 2013/14.
- 1.4 A report on the Prudential Code for Capital Accounting is also on this agenda. This report sets out the prudential indicators for 2014/15, which are designed to ensure that the Authority's capital investment plans are affordable, prudent and sustainable and are in accordance with CIPFA's Prudential Code. This Treasury Management Strategy report is complementary to that Prudential Code report and the proposed prudential and treasury limits for 2014/15 are included in both reports for completeness.
- 1.5 This report also sets out the Authority's Minimum Revenue Provision policy for 2014/15 for approval by Members in paragraphs 2.41 to 2.44.
- 1.6 The Authority has appointed Capita Asset Services (previously known as "Sector") as its external treasury management adviser. Capita Asset Services has provided the Authority with its view on anticipated interest rates for the forthcoming year.

## **2. REPORT**

### **TREASURY MANAGEMENT STRATEGY FOR 2014/15**

- 2.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and

Treasury Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

- 2.2 The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an annual investment strategy: this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 2.3 The suggested strategy for 2014/15 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, supplemented with leading market forecasts provided by the Authority's treasury adviser, Capita Asset Services.
- 2.4 The strategy covers:
- Prudential and treasury indicators;
  - The borrowing requirement;
  - Prospects for interest rates;
  - The borrowing strategy;
  - Policy on borrowing in advance of need;
  - Debt rescheduling;
  - The investment strategy;
  - Creditworthiness policy;
  - Policy on use of external service providers;
  - The Minimum Revenue Provision policy;
  - Training of Officers and Members.
- 2.5 The Authority recognises that whilst there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources, responsibility for treasury management decisions remains with the organisation at all times. The Authority will therefore ensure that undue reliance is not placed upon external service providers.

## **BALANCED BUDGET REQUIREMENT**

- 2.6 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:
- Increases in interest charges caused by increased borrowing to finance additional capital expenditure; and
  - Any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Authority for the foreseeable future.

## ECONOMIC BACKGROUND

- 2.7 Until 2013, the economic recovery in the UK since 2008 had been the slowest recovery in recent history, however growth gained some momentum in 2013 and the Bank of England has upgraded growth forecasts from 1.7% to 2.8% for 2014.
- 2.8 Despite this, there is still some way to go before economic conditions return to normal. There needs to be significant growth in the three main sectors of services, manufacturing and construction in order for the recovery to become more firmly established. Wage inflation remains significantly below CPI inflation, so disposable income and living standards are under pressure.
- 2.9 In August 2013 the Bank of England issued forward guidance which stated that the Bank will not start to consider raising interest rates until the unemployment rate has fallen to 7% or below. The guidance is subject to provisos around inflation and this makes the forecasting of the bank rate much more difficult than previously.
- 2.10 Inflation has fallen from a peak of 3.1% in June 2013 to 2.0% in December 2013 and is expected to remain near to the 2% target level over the next two years. The UK has lost its AAA rating from Fitch and Moody's but this did not result in any significant market reaction.
- 2.11 The longer term prospect is that gilt yields and PWLB rates will rise due to the high volume of gilt issuance in the UK and of bond issuance in other major western countries.
- 2.12 Capita Asset Services has provided a forecast on the bank interest rate, which draws on current City forecasts:

Capita Asset Services Bank Rate Forecasts	
As at 31 March 2014	0.50%
As at 31 March 2015	0.50%
As at 31 March 2016	0.50%
As at 31 March 2017	1.25%

## MANAGEMENT OF CASH RESOURCES

- 2.13 The Authority uses a main current account, an investment account and a number of local petty cash accounts. All of these accounts are held with Barclays Bank PLC and are managed online. This system allows the Authority to make transfers to and from accounts in real time and thus allows the current account balance to be maintained at a minimum level. All surplus funds are held either in the investment account for short periods or are lent to institutional borrowers over longer periods.

- 2.14 The bank overdraft level is £200,000 and this is usually sufficient. There are occasions when the overdraft exceeds £200,000 and temporary arrangements are made with the bank to increase the limit to £500,000. The Prudential Code report included an overdraft limit of £500,000 within the authorised limit to allow for such instances. It is proposed that the overdraft facility remains at a level of £200,000.
- 2.15 Part of the treasury management operation is to ensure that cash flows are adequately planned, with cash being available when it is needed. A three year cash flow projection is prepared together with a three month rolling cash flow forecast. The three month forecast is updated regularly and this process reveals when cash surpluses are likely to arise.
- 2.16 The current bank account is cleared to zero on a daily basis with the balance being transferred to the investment account (Business Premium Account).
- 2.17 Cash management processes have been examined by internal auditors and have been shown to be robust.

## **BORROWING STRATEGY**

- 2.18 The prudential indicators for borrowing are set out in Appendix B. Background information relating to these indicators is contained within the Prudential Code for Capital Finance 2014/15 report which is elsewhere on this agenda.
- 2.19 The capital financing requirement is the sum of money required from external sources to fund capital expenditure i.e. the Authority's underlying need to borrow or lease. For 2014/15 this figure is estimated at £26,996,000, which is lower than would have been the case if the Authority had not approved the use of revenue reserves to finance future capital expenditure as part of the budget 2011/12 to 2013/14.
- 2.20 The Authority's strategy in the past has been to borrow funds from the Public Works Loan Board (PWLB). The PWLB is an agent of HM Treasury and its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies. Its interest rates are generally favourable compared to those applicable to borrowings from other sources within the marketplace. However, in 2007/08, a £4m loan was borrowed from a bank, with a fixed interest rate which was lower than the equivalent PWLB rate. It is therefore proposed that the Authority continues to borrow primarily from the PWLB, but considers fixed rate market borrowing when market rates are lower than PWLB rates.
- 2.21 The loan of £4m referred to in paragraph 2.20 is structured as a "Lender Option Borrower Option (LOBO)" loan. This means that on 7 March 2013 and on that anniversary every five years, the lender may revise the interest rate, which is currently 4.13%. The Authority may choose to repay the loan without penalty if the amended interest rate is not advantageous. If the lender does exercise the option to revise the interest rate, the strategy will be to either agree to continue the loan with the revised interest rate or to repay the loan

and replace it with new, long term debt at a lower rate depending on which is the most advantageous option for the Authority. The interest rate was unchanged on 7 March 2013.

2.22 Over the next three years, it is anticipated that the Authority will need to borrow up to £9m to finance the capital programme and to replace up to £4m of maturing loans.

2.23 Capita Asset Services' view on future PWLB interest rates is:

	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Mar 16	Mar 17
5 yr PWLB	2.50%	2.60%	2.70%	2.70%	2.80%	3.10%	3.40%
10 yr PWLB	3.60%	3.70%	3.80%	3.80%	3.90%	4.20%	4.50%
25 yr PWLB	4.40%	4.50%	4.50%	4.60%	4.60%	5.00%	5.10%
50 yr PWLB	4.40%	4.50%	4.50%	4.60%	4.70%	5.10%	5.20%

The table above has been adjusted for the PWLB certainty rate, which is a 20 basis points reduction in the interest rate for Authorities such as this one which have applied for it.

2.24 In view of the above forecast the Authority's borrowing strategy will be based upon the following information.

- A combination of capital receipts, capital grant, internal funds and borrowing will be used to finance capital expenditure in 2014/15 and 2015/16.
- One PWLB loan will mature in the short term (£2m in 2014/15). This will need to be replaced with new borrowing and it is estimated that new borrowing in the period 2014/15 to 2015/16 will be in the region of £5m.
- Capita Asset Services' view is that PWLB rates are likely to rise over the next three years. It may therefore be advantageous to take out new loans earlier in the period, as this will have a lesser impact on the revenue budget for the periods of the loans. However if this is in advance of the need to spend, there will be a cost of capital impact as referred to in paragraph 2.27 below.
- PWLB rates on loans of less than ten years duration are expected to be lower than longer term PWLB rates. However, the existing debt maturity profile of the Authority will mean that longer term borrowing at a higher cost is required to give a balanced loans portfolio. New borrowing is likely to be for durations which are between 15 and 35 years and above 45 years to re-balance the loans portfolio.
- Consideration will also be given to borrowing fixed rate market loans at 0.25% – 0.50% below the PWLB target rate and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

- PWLB Maturity loans will continue to be taken if the overall cost of such loans is less than the equivalent Annuity loans. If this strategy results in a short term breach of the Gross Borrowing and Capital Financing Requirement indicator, then the reasons for this will be explained to members of the Authority. The Prudential Code for Capital Finance 2014/15 report, which is also on the agenda, explains this issue in more detail.

2.25 In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change in position:

- If it were felt that there was a significant risk of a sharp **fall** in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered;
- If it were felt that there was a significant risk of a much sharper **rise** in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

2.26 The Authority's gross debt position is projected to be £22.6m by the end of 2013/14, but investments of approximately £9m are expected to be in place at 31 March 2014, giving a net debt position of around £14m. Currently, investment interest rates are substantially lower than debt interest rates so the use of reserves rather than borrowing to finance capital expenditure over the past three years has resulted in better value for money in the short term. This strategy will come to an end by the close of 2013/14 and, with interest rates likely to rise over the medium term, additional longer term costs will be incurred when surplus reserves have been exhausted and there is once more a requirement to borrow at higher rates.

2.27 The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed, although this scenario is unlikely anyway given that current borrowing rates are higher than current investment interest rates, creating a cost of capital impact. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Authority can ensure the security of funds invested. In determining whether borrowing will be undertaken in advance of need the Authority will:

- Ensure that borrowing is only undertaken to finance the capital programme approved within the current Medium Term Financial Strategy
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered

- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

2.28 The rescheduling of debt involves the early repayment of existing borrowings and their replacement with new loans. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, this would indicate a potential to generate savings by switching from long to short term debt. However, a premium would be payable which may negate the savings, and the loan maturity profile of the Authority indicates that this would increase exposure to interest rate risk. It is therefore unlikely that rescheduling of debt will take place in 2014/15 although this will be kept under review should circumstances change. Rescheduling will be considered for the following reasons:

- the generation of cash savings and / or discounted cash flow savings,
- enhancing the balance of the portfolio by amending the maturity profile

Any rescheduling of debt will be reported to Members at the earliest meeting following its action.

## **INVESTMENT STRATEGY**

2.29 The Authority will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004, the Audit Commission's report on Icelandic investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance. The Authority's investment priorities are:

- (a) the security of capital; and
- (b) the liquidity of its investments.

The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Authority is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

2.30 Investment opportunities will arise when there are temporary cash surpluses. In accordance with guidance from CIPFA, and in order to minimise the risk to investments, the Authority sets a minimum acceptable credit quality of counterparties for investment. To determine the institutions with which investments may be placed, the Authority uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors forming the core element. It is recognised that ratings should not be the sole determinant of the quality of an institution,



and Capita's creditworthiness service does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries;
- Information from the financial press and share price information.

2.31 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and enable diversification in investments. These colour codes are used by the Authority to determine both the creditworthiness of institutions and the duration for investments. It is regarded as an essential tool, which the Authority would not be able to replicate using in house resources.

2.32 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Capita's weekly credit list of potential counterparties. The Authority will therefore use counterparties within the following durational bands:

- Blue 1 year  
(only applies to nationalised or semi-nationalised UK banks)
- Orange 1 year
- Red 6 months
- Green 3 months .

Institutions within the "purple band" (24 months), the "yellow band" (5 years) or with no colour band will not be used.

2.33 The Authority has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix C. This list will be added to or deducted from by Officers should ratings change in accordance with this policy.

2.34 The latest credit list provided by Capita will be made available to Members at the meeting.

2.35 In accordance with its low risk appetite, the Authority may undertake the following types of "specified" investments:

- Deposits with the Debt Management Office (Government);
- Term deposits with Banks and Building Societies;

- Call deposits with Banks and Building Societies;
- Term Deposits with uncapped English and Welsh local authority bodies;
- Triple-A rated Money Market Funds;
- UK Treasury Bills.

- 2.36 The risks associated with investing will be reduced if investments are spread e.g. over counterparties or over countries. The Authority will therefore aim to limit its investment with any single counterparty to £2m. It is, however, difficult to impose any further spreading requirement due to the relatively small size of the Authority's investments and the fact that investment institutions will often only accept a minimum investment sum, which may render any such policy unworkable. Despite this Officers will, wherever possible, avoid the concentration of investments with one counterparty or group.
- 2.37 The majority of past investments have been for periods of 3 months or less. In the current financial climate no term deposit investments with other counterparties, such as UK semi-nationalised banks and local authorities, will be made for more than 1 year without the prior approval of the Treasurer and the Chair of Finance and Resources Committee. The Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.
- 2.38 All credit ratings will be monitored via a weekly update from Capita Asset Services. The Authority is alerted to changes to ratings of all three agencies as and when they occur through its use of the Capita creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of Credit Ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.
- 2.39 Investments will normally be made for durations which accord with Capita's credit quality list so, for example, an investment would be made for no more than 100 days (3 months) with a "Green" rated counterparty. This policy works well with fixed term deposits but where the Authority invests in a "call" account in a bank there is no fixed duration for the deposit. In such instances, officers will monitor intelligence about the bank and withdraw funds immediately if there is any indication of a substantially increased risk to the security of the deposit.
- 2.40 Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

## **MINIMUM REVENUE PROVISION POLICY 2014/15**

- 2.41 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. These regulations were an amendment to the 2003 regulations and introduced several changes to the capital finance regime for local authorities (including fire authorities) in England. The most significant of these were provisions dealing with the calculation of Minimum Revenue Provision (MRP), which is the amount an authority charges to its revenue account in respect of the financing of capital expenditure.
- 2.42 Under the regulations, Authorities must make a “prudent provision” for MRP and guidance is given on the interpretation of this: “provision for the borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service”. This guidance translates into the asset life method. Authorities are permitted to continue charging MRP calculated using the old method for borrowing and credit arrangements which funded capital expenditure incurred before 1 April 2007. This method calculates a charge of 4% of the capital financing requirement each year to revenue.
- 2.43 The following policy on MRP is therefore recommended to members and budgetary provision for MRP has been made on this basis:
- For all borrowing and credit arrangements to fund capital expenditure incurred before or during 2006/07, the minimum revenue provision applied in 2014/15 will continue to be calculated on the basis of the 4% CFR (capital financing requirement) method. This method will continue to be used in future years for capital expenditure incurred during or before 2006/07;
  - For all borrowing and credit arrangements to fund capital expenditure incurred from 2007/08 onwards, the minimum revenue provision applied in 2014/15 will be calculated on the basis of the Asset Life method.
- 2.44 The regulations also allow for Voluntary Revenue Provision (VRP) charges to be made. A VRP charge would be in addition to the MRP charge and the two advantages of making such a charge would be that firstly in future years a “holiday” could be taken in respect of MRP charges up to the value of the total VRP charges in prior years, and secondly future MRP charges would be reduced, resulting in revenue budget savings. If the situation arises in the year whereby Officers feel that a VRP charge would be advantageous (e.g. if there are revenue budget underspends), then a recommendation will be made to Finance and Resources Committee to approve a VRP charge during the year.

## **TRAINING OF OFFICERS AND MEMBERS**

- 2.45 Under the Code, good practice is defined as ensuring that all staff involved in treasury management are appropriately trained and experienced to undertake their duties. Employees within the Finance Department who carry

out treasury management activities are suitably trained and experienced and routinely attend at least one treasury management update event each year to ensure that their knowledge keeps pace with changes. It is also suggested that those tasked with treasury management scrutiny responsibilities also have access to suitable training and a treasury management training seminar for Members of the Finance and Resources Committee is in the process of being arranged at the time of writing this report.

### **3. FINANCIAL IMPLICATIONS**

The financial implications of this report are set out in full within the body of the report.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising directly from this report.

### **5. EQUALITIES IMPLICATIONS**

An equality impact assessment has not been undertaken because there are no equalities implications arising directly from this report.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising directly from this report.

### **7. LEGAL IMPLICATIONS**

There are no legal implications arising directly from this report, other than the requirement to act within the Authority's powers when undertaking treasury management borrowings and investments.

### **8. RISK MANAGEMENT IMPLICATIONS**

The investment of local authority funds cannot be achieved without some element of risk. Careful choice of borrowers using creditworthiness indices will minimise this risk. This prudent approach will undoubtedly result in some interest rate loss but the principles of security and liquidity are paramount.

## **9. RECOMMENDATIONS**

It is recommended that:

- 9.1 Members note the Treasury Management Strategy 2014/15 as set out in this report.
- 9.2 Members approve the Minimum Revenue Provision policy 2014/15.
- 9.3 Members of the Finance and Resources Committee are given the opportunity to undertake appropriate training.

## **10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

Peter Hurford  
**TREASURER TO THE FIRE AUTHORITY**

**TREASURY MANAGEMENT POLICY STATEMENT**

1. The Authority defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
  
2. The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
  
3. The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.”

**APPENDIX B**

**PRUDENTIAL AND TREASURY INDICATORS FOR 2014/15**

Estimate of Ratio of Financing Costs to Net Revenue Stream	5.4%
Estimate of the Incremental Impact of the New Capital Investment Decisions on the Council Tax (Band D)	-£0.41
Estimate of Total Capital Expenditure to be Incurred	£6,281,000
Estimate of Capital Financing Requirement	£26,996,000
Operational Boundary	£26,346,000
Authorised Limit	£28,981,000
Upper limit for fixed rate interest exposures	100%
Upper limit for variable rate interest exposures	30%
Loan Maturity:	<u>Limits:</u>
Under 12 months	Upper 20% Lower 0%
12 months to 5 years	Upper 30% Lower 0%
5 years to 10 years	Upper 75% Lower 0%
Over 10 years	Upper 100% Lower 0%
Over 20 years	Upper 100% Lower 30%
Upper Limit for Principal Sums Invested for Periods Longer than 364 Days	£2,000,000

## APPROVED COUNTRIES FOR INVESTMENTS – FITCH RATINGS

AAA	AA+	AA
Australia	France	Abu Dhabi (UAE)
Canada	Hong Kong	Belgium
Denmark	U.K.	
Finland		
Germany		
Luxembourg		
Netherlands		
Norway		
Singapore		
Sweden		
Switzerland		
U.S.A.		