

# Treasury Banking System Interest Payments

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TPG24-15

19 November 2024

## Acknowledgement of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork:

*Regeneration* by Josie Rose



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Key information	
Treasury Policy and Guidelines (TPG) is relevant to?	<input checked="" type="checkbox"/> GSF Agencies <input checked="" type="checkbox"/> General Government Sector <input checked="" type="checkbox"/> Public non-financial corporation <input checked="" type="checkbox"/> Public financial corporation <input checked="" type="checkbox"/> State Owned Corporations <input checked="" type="checkbox"/> Other
	<input checked="" type="checkbox"/> Executive agencies related to Departments
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Issuing/Publishing entity	NSW Treasury
Related instrument(s)	<ul style="list-style-type: none"> <li>• Government Sector Finance Act (2018) (the GSF Act).</li> <li>• Treasurer’s Direction TD23-18 Management of cash, banking and payments.</li> </ul>
Document approver	Secretary, NSW Treasury
Contact	Banking and Financial Services Division cashmanagement@treasury.nsw.gov.au
Document contains	
<input checked="" type="checkbox"/> <b>MANDATORY POLICY</b> compliance set out by NSW Treasury.	
<input type="checkbox"/> <b>RECOMMENDED POLICY</b> reflecting best practice standards.	
<input checked="" type="checkbox"/> <b>GUIDANCE/ADDITIONAL INFORMATION</b> to provide clarity or explain requirements in detail.	

# 1 Interest Payments Policy

## **Purpose**

The purpose of this policy is to establish principles for the payment of interest to exempt agency banking accounts operating within the TBS. The principles aim to achieve consistent application across the NSW Government sector and ensure sustainability of the TBS.

## **Background**

GSF agencies are required to place all government money into a banking account linked to the Treasury Banking System (TBS).

The TBS is the grouping of the State's banking accounts (including agency accounts) controlled by Treasury for the purpose of managing State liquidity. The TBS consolidates balances into a 'one account' position where positive bank balances held by agencies are offset against a negative balance held in the Consolidated Fund. This achieves a net TBS balance more suitable for the State's operating cash needs through efficient utilisation of available liquidity.

## **Related legal obligations**

The GSF Act (2018) governs financial management of the NSW public sector. Part 6 of the Act enables the Treasurer to enter contracts of behalf of the State for a range of banking and financial services, consolidate funds within the State's centralised banking system and to set directions concerning the payment of interest on agency bank accounts.

This TPG should be read in conjunction with TD23-18, which establishes specific requirements for the use of banking and financial services, the payment of interest and cash management and forecasting. Part 4 of TD23-18 requires interest on TBS banking accounts to be paid to the Treasurer unless exempt.

## **Application**

All banking accounts in the TBS.

## 2 Interest payments exemption criteria

*Treasurer's Direction 23-18 Management of cash, banking and payments* (TD 23-18), requires that from 1 June 2024 interest earned on a Treasury Banking System (TBS) banking account must be paid to the Treasurer, or to any other entity nominated by the Treasurer, unless an exemption has been granted in accordance with TD 23-18.

The exemption criteria and the rates of interest to be paid on exempt accounts have been determined in accordance with the *Government Sector Finance Act 2018* (GSF Act), TD23-18 and criteria established by the Expenditure Review Committee (ERC).

Interest payments to exempt banking accounts are funded by the State and paid by the Crown.

### Exemption criteria principles and guidelines

Treasury may consider and approve an exemption request based on the following principles:

**1. Interest must be paid where legally required:**

- Contractually binding terms where account interest is to be paid (e.g., Public Private Partnership accounts)
- Legislation specifically requiring bank accounts to earn interest.

**2. Interest may be paid to commercial, or predominately commercial entities:**

- State Owned Corporations (SoCs), Public Non-Financial Corporations (PNFCs) or Public Financial Corporations (PFCs).

**3. Interest may be paid in exceptional circumstances:**

- Where there can be a demonstrated net benefit to the State.

**4. Interest may be paid where there is a risk of funds leaving the TBS:**

- Non-government money.

**5. The following criteria will not be considered as basis for exemption:**

- Funds derived through own sourced revenues.
- Funds held for a specific purpose or type of expenditure, including banking accounts associated with an SDA.
- Where funds are held on behalf of a beneficiary, but there is agency discretion on how interest revenues are distributed.

### Guidelines for setting interest rates on exempt accounts

- The Treasurer or a delegate of the Treasurer can determine and/or amend the rate of interest applied to exempt accounts under the State Financial Service Agreements.
- Different rates of interest may be applied to different accounts.
- Interest paid by the Crown on exempt GSF agency accounts will be periodically reviewed (typically annually).
- Factors which may be considered when setting interest rates include:
  - current market pricing
  - the size of the account balances
  - the component of TBS balances which contribute to operational balances of the State (30-day operating cash)
  - the nature of the agency
  - the stability and reliability of agency cash forecasting.

## 3 Exemption procedures

For policy questions, exemptions requests or other related information contact:

[cashmanagement@treasury.nsw.gov.au](mailto:cashmanagement@treasury.nsw.gov.au)

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## Appendix A: Definitions

Term	Definition
banking account	has the same meaning as in section 6.4(2) of the GSF Act (2018).
government money	has the same meaning as in section 1.4 of the GSF Act (2018).
GSF agency	has the same meaning as in section 2.4 of the GSF Act (2018).
investment	has the same meaning as in section 6.9 of the GSF Act (2018).
Treasury	means NSW Treasury
Special Deposits Account	has the same meaning as in section 1.4 of the GSF Act (2018).
Consolidated Fund	has the same meaning as in section 1.4 of the GSF Act (2018).
Expenditure Review Committee	means the Cabinet Standing Committee on Expenditure Review.
Treasury Banking System	means the grouping of the State's banking accounts, controlled by Treasury, for the purpose of managing government money and liquidity for the State (TBS).



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## Appendix B: Links to related legislation

Term	Definition
Government Sector Finance Act 2018 No 55	<a href="#"><u>Government Sector Finance Act 2018 No 55 - NSW Legislation</u></a>
TD23-18 Management of cash, banking and payments	<a href="#"><u>TD23-18 Management of cash, banking and payments   NSW Treasury</u></a>

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