

ROMAN CATHOLIC DIOCESE OF EAST ANGLIA

INTEREST RATE POLICY

- A. The Diocese sets policy on internal interest rates from time to time at the quarterly Trustees' meetings on a recommendation from the Finance Sub Committee.
- B. The Diocese encourages parishes to keep their cash funds with the Diocese where they can be used to support the work of the Church and be shared in solidarity with other parishes.
- C. To this end, the Diocese offers parishes a rate of interest on their accounts, which hold funds on a flexible basis at zero notice for withdrawal, of the Bank of England's Bank Rate rate minus 0.2 per cent. This rate will be applied half-yearly and recalculated each time in the light of the prevailing Bank Rate on that date and applied to an average balance over the preceding six months.
- D. We further encourage parishes to repay any diocesan overdrafts. The Diocese will charge Bank Rate plus 150 bps on temporary borrowings. This rate will be applied monthly on the first of the month and recalculated each time in the light of the prevailing Bank Rate on that date.
- E. Longer term parish borrowing from the Diocese linked to individual projects should be the subject of a loan agreement. The Diocese and the parish will agree a rate for such longer-term borrowings on a case-by-case basis.
- F. BONDS
 - a. Diocesan bonds are designed to facilitate and regulate the lending of money from one parish to another for a project which has been approved by Trustees.
 - b. They are set up to support specific projects, with the amount and timescale tailored to the needs of that project.
 - c. All transactions will happen at diocesan level with transfers between parish diocesan accounts.
 - d. Bonds will be available in £10,000 units.
 - e. The repayment of capital will be underwritten by the diocese.
 - f. The rates of interest on bonds will be fixed on annual basis and reviewed in March.
 - g. There will be four types of bonds:
 - i. A ten-year bond where capital is repaid in ten equal annual instalments, paying Bank Rate +100bps on the reducing balance

- ii. A 5-year bond where capital is repaid in one instalment at the end of 5 years, paying Bank Rate +100bps on the whole at redemption
- iii. A 2-year bond where capital is repaid in one instalment at the end of 2 years, paying Bank Rate +50 bps on the whole at redemption.
- iv. A 5 year bond at nil interest. This reflects demand from parishes to show scripturally-inspired solidarity for other parishes.

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