

**THE KOTTARAKARACO-OPERATIVE
URBAN BANK LTD.NO.1909,
KOTTARAKARA**

Kollam District, Kerala

HO: Kottarakara

Branch: Kottarakara main,
Chadayamangalam,
Puthoor,
Odanavattom,
Pulamon,
Oyoor.

INVESTMENT POLCY

The Co-operative Urban Bank Ltd. No.1909

Kottarakkara, Kollam District, Kerala

H.O. Kottarakkara

Branch: Kottarakkara Main, Chadayamangalam, Puthoor, Odanavattom, Pulamon, Oyoor

In terms of provisions of Section 24 subsection (2A) of the Banking Regulation Act, 1949, read with section 56, the Bank is required to maintain liquid assets and the same should not be less than 19.5 percent of NDTL. The Bank has to maintain SLR in the form of Govt. and other approved securities not less than 19.5% of their NDTL as per RBI Circular. Keeping in view of this regulatory/ statutory and the Bank's own internal requirement, the bank has framed this investment policy with the approval of the Board of Directors. The RBI vide its circular No. UBD.BPD (PCB).MC.No.12/16.20.000/2009-2010 dated July 1st 2009 has directed the Urban Co-operative banks to formulate investment policy for undertaking transactions in securities. Accordingly, an investment policy for the **CO-OPERATIVE URBAN BANK LTD.NO. 1909, KOTTARAKARA** is being framed and placed for the approval of the Board of management. This investment policy has taken into account the instruction of the RBI/ RCS from time to time and relevant provisions of the Kerala State Co-operative Societies Act and Rules. The new investment policy will take effect from the date of its approval by the Board of Management. This policy shall provide adequate instructions to management, the investment committee and others involved in the management of the investment port folio regarding its

1. PURPOSE AND OBJECTIVE:

- a) To invest Government and approved securities towards adequacy or otherwise of the investment required for the purpose of SLR of the bank in a safe and sound manner and are in accordance with written policies and procedures of RBI.
- b) To invest in Non-SLR investment up to 10% of the total deposit as on March 31st of the previous year or up to the limit as maybe prescribed by the RBI from time to time in order to get better return on investible funds of the Bank.
- c) To invest in Government and other approved securities for the purpose of trading and to undertake Repo transactions.
- d) To invest in Government and other approved securities for being used in business by way of pledge with DCB / SCB for availing refinance, overdraft etc.
- e) To invest the day to day surplus funds in call / Term deposits.
- f) To invest the funds in the concerned DCBS/SCB/IDBI/ Nationalized Bank / Scheduled Bank as fixed deposit / Cumulative Deposit for the purpose of SLR requirement/Non SLR requirements and also for better return on investible funds subjected to inter-bank exposure ceiling as envisaged in RBI Circular No:DCB.CO.BPD.RD.NO.15/16.26.000/2014-15 dt: June 12, 2015.
- g) To have appropriate controls in places and do not undermine the solvency and liquidity of the Bank.

h) Any other purpose as may be deemed fit by the Board of management of the Bank subject to the provision contained in the Kerala Co-operative Societies Act and Rule 1969 and directives issued by RBI from time to time.

2. TYPE OF PERMISSIBLE INVESTMENTS:

The Bank shall invest in the following types of investments:-

- a) Securities issued by central and state Govt. (Primary market / secondary market).
- b) SLR and Non-SLR Bonds / Debentures of the nature of trustee Securities float by Financial Institutions and Public sector Undertakings.
- c) Treasury Bills
- d) Call / Term Deposits in DCB/KSCB and other approved institutions.
- e) In mutual funds ie units of debt matured funds and money market mutual funds.
- f) All Non- SLR investments shall be subject to the prudential limits prescribed for single/group counter party exposure.
- g) Any other type of investment as permitted by RBI and the KSC Act 1969 and Rules 1969, from time to time.

3. INVESTIBLE FUNDS:

Investible funds of the Bank shall be arrived at by taking the following factors into account.

- i) Deposit position of the bank.
- ii) Credit requirements of the Members of the Bank.
- iii) Borrowings from DCBs / KSCB.
- iv) Statutory commitments of the Bank.
- v) Any other commitment as envisaged by the bank and as per the directives of the RBI / Registrars of Co-operative Societies.
- vi) The surplus funds of the Bank shall be arrived and invest it in greatest return portfolio as permitted this policy.

4. INVESTMENTS IN CALL / TERM DEPOSITS:

The bank shall consider investing in Call / Term Deposits, whenever it has surplus money for short period (up to 181 days). The bank shall consider the following factors while investing in call / term deposits.

- i) No Brokers are involved for Call / Term Money operations.
- ii) Call / term money deposits to be made with Dealing bank / Primary Dealers only.
- iii) ALM of the bank to match short-term requirement of the Bank.
- iv) Money intended for call/term deposits can be remitted by way of any mode as many be deemed fit by the Bank.
- v) The Bank in consultation with the executives of the dealing Bank Officers at the treasury section will give instructions for investment in call/term deposit. The Bank shall clearly inform the officers in Treasury section about the number of day for which the term deposits to be made followed by confirmation by way of fax/ letter signed by the Authorized officer.
- v) The Bank shall monitor the repayment of Principal and periodical interest on such money invested in Call / Term Deposits on due dates.

5. INVESTMENT / SALE OF SECURITIES.

5.1 Investment in Securities:

The Bank shall invest in:

1. Central Government Securities
2. State Govt. securities and State Development Loan
3. Other approved securities, as notified by RBI
4. Other trustee securities/ PSU Bonds wherein repayment of principal and payment of interest are guaranteed by the State/ Central Governments. The bonds should also be rated by leading Rating Agencies like CRISIL, ICRA etc., with reasonably good safely ratings.
5. Any other securities as permitted by RBI / RCS for the purpose of
 - (a) Statutory requirements
 - (b) Trading in securities
 - (c) Earmarking towards Reserve Fund
 - (d) Pledging to avail financial accommodation from the concerned DCB and the Dealing Bank.
 - (e) Investment of surplus funds for getting better yield and any other purposes may be decided by the Board of Management.

5.2 Mode of Investment / Purchase of Govt. Securities :-

The Bank shall invest / purchase Govt. Securities issued by the Government of India / State Government by way of:

1. Auction (yield based, Price based of Floating rates)
2. Sale of securities with pre-announced rates
3. On-tap sale
4. Any other mode as may be notified by the RBI / GOI.

5.3 Parameters for Investment / Purchase of Govt. Securities

The Bank shall consider the following factor while investing / purchasing Government securities.

1. The Yield to Maturity (YTM) for the security proposed to be purchased shall be at a minimum of 6% (The YTM shall be fixed by the Board of Management considering the cost of funds of the Bank, rate of return on alternative investment avenues etc.)
2. The maximum premium that can be paid per security for face value of Rs.100/- shall be 10% (The Management may fix a maximum ceiling for payment of premium over and above face value (Rs.100 per security) so that the Bank shall exercise more caution on their investment.
3. The maximum value of security that can be invested / purchased in a deal shall be 5 crores (eg. 1.00 Crore, Rs.2.00 Crores, Rs.3.00 Crores, Rs.5.00 Crores, etc.).

5.4 Procedure for Investment / Purchase of Govt. Securities :

The Bank shall adopt the following procedures for investment / purchases of Government Securities.

1. Investment in Primary Market

- (a) The Bank after obtaining necessary approval from the Investment Committee/Board / General Manager, shall request the PDs / dealing Bank by fax or e-mail for subscription to the Government Loan issued on tap basis. The purchase / investment request should be signed by the Authorized officers of the Bank.
- (b) The Bank shall ensure adequate funds in its current account with dealing bank as at the close of business on the previous day to meet the investment proposal of the Bank.
- (c) Purchase of Government securities shall be only in Demat form and DVP basis. The Government securities so purchased shall be kept in the SGL account with RBI or CSGL account with Dealing bank / PDs.
- (d) The Bank shall not purchase G.Sec. in physical for except for a specific purpose as approved by the Board.

2. Purchase of G Sec in Secondary Market :

- (a) The Bank shall identify G.Sec to be purchased based on the reports published in the Financial Dailies, information collected from Primary / Secondary market or information given by the Dealing Bank / PDs, etc.
- (b) The Bank shall then call up the Dealing Bank / PDs to ascertain the latest price for the G.Sec identified by the Bank. It shall also ascertain the latest price trend in the Debt Market and decide the G.Sec to be purchased.
- (c) Based on the quotes obtained and other relevant factors, the Authorized Official of the Bank, after getting necessary approval of the Investment committee / G.M shall place orders with the Dealing Bank / PDs for purchase of the G.Sec over phone or E-mail followed by confirmation by fax.
- (d) The Bank shall ensure adequate funds with dealing bank as at the close of business on the previous day to meet the cost, interest accrued on the G.Sec, etc.
- (e) The Bank shall receive the deal confirmation from the Dealing Bank / PDs. On receipt of which the Bank shall pass necessary entries in the books, it shall check the deal confirmation for correctness of transaction and if found in order, the Bank shall return the deal confirmation duly signed by the Authorized official.
- (f) The Bank shall receive a statement of account from the Dealing Bank / PDs with whom the transaction was done showing the transactions during the fortnight.

5.5 Sale of Government Securities

The Bank may consider to sell the securities in the “Held for Trading” at a 5% or higher than the cost price or the average price of the security (less). However the Bank may with the permission of the Investment committee/Board/General Manager sell the securities at less than the cost price in order to maintain liquidity of the Bank or to meet unforeseen circumstances of the Bank or to minimize the loss in anticipation of steep fall in the price of securities in the Debt Market.

6. PROCEDURE FOR SALE OF GOVERNMENT SECURITIES:

- (a) The Bank shall identify the G.Sec for sale among its G.Sec portfolio.
- (b) It shall obtain the quotes from the identified scripts from dealing Bank/ PDs/ Online Service. Based on the quotes obtained and other relevant factors, the authorized officials of the Bank shall get the necessary approval of the Investment committee/Board/General Manager and place orders with Dealing Bank/ PDs for the sale of the identified G.Sec over phone or E-mail followed by confirmation over fax.
- (c) The Bank shall ensure that the intended Government security is in the credit of CSGL Account with Federal Bank / PDs be available as at the close of business on the previous day.
- (d) The Bank shall receive the deal confirmation from the Dealing Bank/ PDs on receipt of which the Bank shall pass necessary entries in their books, it shall also check the deal confirmation for the correctness of the transaction and if found in order the Bank shall retransmit a copy of the deal confirmation to the Dealing Bank/ PDs duly signed by the Authorized officials.
- (e) The Bank shall receive a statement from the Dealing Bank/ PDs with whom the transactions was done showing the transactions done in the CSGL account during the fortnight.

7. INVESTMENT IN NON-SLR BONDS:

The Bank may invest their surplus funds in Non-SLR investment upto 10% to total Deposit as on March 31st of the previous year, subject to the conditions as contained in RBI Circular No. UBD.BPD (PCB).MC.No.12/16.20.000/2013-14 dated July1, 2013.

The Bank shall invest in the following investments:-

- (a) ‘A’ or equivalent and higher rated commercial papers (CPS) debenture and Bonds.
- (b) Units of Debt Mutual Funds and Money Market Mutual Funds.

In order to contain risks arising out of the Non SLR Investment Portfolio of the Bank, the bank shall keep the restrictions as specified in para 13.1.1 of the above said circular.

8. DELEGATION OF POWERS:

The Board of management of the Bank shall authorize officials of the Bank to deal in Government and other securities. The officials shall be authorized in such a way that any transactions in securities will be executed by minimum of two authorized official, jointly.

DELEGATION OF POWERS FOR INVESTMENT/PURCHASE/SALE OF SECURITIES:-

The delegation of powers with financial ceiling shall be fixed by the Board of Management of the Bank for taking appropriate decision regarding investment/ purchase/ sale of securities.

The ceiling per deal may be fixed as under:-

Quantum of transaction	Deciding authorities
1)Face value upto Rs.50 Lakhs.	1)General Manager/Branch Manager/SO
2)Over 50 Lakhs to Rs.2 crore.	2)Investment Committee
3)Over Rs.2crore.	3)Board of Directors

9. INVESTMENT COMMITTEE;

The bank shall constitute a committee to plan and monitor the prudent utilization of funds of the Bank. The committee shall consist the following officers.

1. Chairman :
2. Director :
3. General Manager :
4. Officer, Looking after Funds :
Management of the Bank
5. Any other special official deemed fit by the Management

The investment committee shall meet frequently as required and take decision on the utilization of the funds of the Bank. It shall also review the Management of funds during the

previous fortnight. The minutes will be recorded and placed before the next Board meeting for ratification.

10. REPORTING OF TRANSACTIONS:

1. Daily Report

The Bank shall prepare a Daily report on the transactions showing the details of purchase/ sales securities and put up to the SO/ GM for ratification.

2. Monthly Report

A report on the transactions done during the previous month viz., investments in primary issues and purchase in secondary market sale/ redemption of securities shall be placed in the following month in the Board Meeting for ratification.

3. Quarterly Report

A report on the transaction done during the quarters ended June, September, December and March viz., investments in primary issues and Purchase in Secondary market, sale/ redemption of securities shall be placed in the Board Meeting on or before the 15th of following month of the quarters for information.

4. Half-yearly report

A report of the transaction done during the half-year ended September and March viz., investment in primary issues and purchases in secondary market sales redemption of securities shall be placed in the Board Meeting on or before 15th of the following month of the half year for information. Similar reports as required by RBI by 15th November and 15th of May respectively.

11. AUDITING:

The internal, concurrent and external auditors shall ensure that proper controls exist and are functioning properly. Securities transactions of the Bank shall be separately subjected to concurrent audit by Internal Auditors and results of the audit shall be placed before the Chairman/ Special Officer once in a month.

12. VALUATION AND CLASSIFICATION OF SECURITIES:

The Bank shall follow the guidelines issued by RBI from time to time for classification and valuation of investment of UCBs. Presently it is done by as per circular No. UBD.BPD(PCB) cir. No.36/16.20.000/2013-14 dt. November 1, 2013.

13. CATEGORISATION OF INVESTMENTS:

The entire Investment Portfolio (including SLR and Non-SLR securities) are classified into three categories viz.,

- (i) Held to Maturity (HTM)
- (ii) Held for Trading (HFT)
- (iii) Available for Sale (AFS)

The decision regarding the category of investments shall be decided at the time of acquisition and the decision shall be recorded on the investment committee minutes.

(i) Held to Maturity

Securities acquired by the Banks with the intention to hold them up to maturity will be classified under “Held to Maturity” category.

(ii) Held for Trading

Securities acquired by the Banks with the intention to trade by taking advantage of the short-term price/ interest rate movements will be classified under “Held for Trading” category.

(iii) Available for Sale

Securities which do not fall within the above two categories will be classified under “Available for Sale” category.

The Bank shall decide from time to time the extend of holding under “ Available for Sale ” category. This is decided by considering various aspects such as basis of intent, trading strategies, risk management capabilities, tax planning, man power skills, capital position, etc.

14. SHIFTING OF INVESTMENTS:

Bank shall shift investments to / from “Held to Maturity” category with the approval of the Board of Directors once in a year.

Bank shall shift investments from “Available for Sale” category to “Held for Trading” category with the approval Board of Directors.

POLICY DISCUSSED IN DETAIL – BOARD RESOLUTION No. 37/18-19 dt 30.04.2018.

General Manager

Director

Director

Chairman