

CAB Training Cards



कृषि बैंकिंग महाविद्यालय, भारतीय रिज़र्व बैंक
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Gist of RBI Guidelines on Non – SLR Investments for UCBs

Investment Policy

Investment Policy of UCBs, as approved by the Board, should contain the following aspects for non- SLR investments:

- (i) Nature and extent of investments intended to be made; and
- (ii) Risk Management systems for capturing and analyzing the risk and taking remedial measures in time, including cut-loss limits for holding / divesting the non-SLR investments.

Prudential Limit

Maximum of 10% of the total deposits as on March 31 of the previous year.

Exception

- (i) *Investments in Shares of Market Infrastructure Companies (MICs), provided it is necessary for acquiring membership of MICs.*
- (ii) *Security receipts, pass-through certificates, or bonds/debentures issued by Securitization /Reconstruction Companies (SC/RC), provided it was received by the banks as sale consideration towards sale of financial assets to SC/RCs.*

Review

Board should review, at least at half-yearly intervals, the following aspects in respect of non-SLR investments:

- (i) Total business (investment and divestment);
- (ii) Compliance with prudential limits / guidelines;
- (iii) Rating migration of the issuers/issues and consequent diminution in the portfolio quality; and
- (iv) Extent of non-performing investments and provision thereof.

Instruments

UCBs may invest in the following instruments:

- (i) "A" or equivalent and higher rated Commercial Papers (CPs), debentures and bonds;

- (ii) Units of Debt Mutual Funds and Money Market Mutual Funds; and
- (iii) Shares of MICs.

Note:

- (i) *All fresh investments under Non-SLR category should be classified under HFT / AFS categories only and marked to market as applicable to these categories of investments, except investments in the long term bonds issued by companies engaged in executing infrastructure projects and having a minimum residual maturity of seven years may be classified under HTM category.*
- (ii) *All Non-SLR investments will be subject to the prescribed prudential single/group counter party exposure limits.*

Instruments Restrictions

- (i) Investment in perpetual debt instruments is not permitted.
- (ii) Investment in unlisted securities (i.e. a security which is **not** listed in a stock exchange) should not exceed 10 percent of the total Non-SLR investments at any time.
- (iii) Investment in deep discount / zero coupon bonds are not permitted, unless the issuer builds up a sinking fund for all accrued interest and keeps it invested in liquid investments / securities (Government bonds).
- (iv) Investments in instruments with original maturity of less than one year are not permitted, other than in units of Debt Mutual Funds and Money Market Mutual Funds, and CPs.
- (v) Fresh investments in shares of All India Financial Institutions (AIFIs) are not permitted.
- (vi) All transactions for acquisition / sale of Non-SLR investments in secondary market may be undertaken only with commercial banks / primary dealers as counterparties.
- (vii) Investments in shares of Market Infrastructure Companies (MICs), are allowed to exceed the limit for Investments in unlisted securities, provided it is done for acquiring membership of MICs. The MICs eligible for such Investments by UCBs are CCIL, NPCI and SWIFT. The list of eligible MICs is updated from time to time by the Reserve Bank of India.

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