THE MAHAVEER CO-OP. BANK LTD., BELAGAVI

INVESTMENT POLICY

POLICIES FOR THE FY
2026-27
https://mahaveerbank.bank.in

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INVESTMENT POLICY 2026-27

Approved by the Board of Directors at its meeting held on 23/6/2026**, vide Resolution No.** 11**.**

Introduction

This Investment Policy shall be read in conjunction with, and shall be subject to, the guidelines, circulars, and notifications issued by the Reserve Bank of India (RBI) from time to time.

In terms of the provisions of Section 24 of the Banking Regulation Act, 1949 (AACS), every Primary (Urban) Co-operative Bank is required to maintain in India liquid assets equivalent to such percentage of its Net Demand and Time Liabilities (NDTL), as may be prescribed by the RBI from time to time, in addition to the Cash Reserve Ratio (CRR) requirements.

Accordingly, in order to comply with statutory liquidity requirements and to ensure prudent deployment of surplus funds, The Mahaveer Co-operative Bank Ltd., Belagavi shall undertake investments in Statutory Liquidity Ratio (SLR) and Non-SLR securities in accordance with:

- RBI Master Directions / Circulars on Investments
- Provisions of the Banking Regulation Act, 1949
- Applicable State Co-operative Societies Act
- Other regulatory and supervisory guidelines issued from time to time

The Bank shall ensure that all investment transactions are undertaken on a **Delivery versus Payment (DVP)** basis. The Bank shall not enter into any transaction without actual holding of the underlying securities and shall not undertake short selling or maintain any oversold position in any security.

This Policy aims to ensure that the Bank's investment operations are conducted in a **safe, prudent, and efficient manner**, with due regard to **liquidity, safety, and optimal returns**, while ensuring full compliance with all applicable regulatory requirements.

Objectives of Investment Policy

The main objectives of the Bank's Investment Policy are:

- To follow RBI rules and maintain required SLR investments properly.
- To keep enough cash/liquid funds to meet deposit withdrawals and daily needs.
- To ensure safety of the Bank's money at all times.
- To earn reasonable income from investments without taking high risk.
- To invest in a balanced way and avoid putting too much money in one place.
- To manage risks like interest rate changes and credit risk.
- To use surplus funds in a proper and planned manner.

- To ensure compliance with prudential norms relating to valuation, classification, income recognition, and provisioning

Scope

This policy covers all investment activities of the Bank.

It includes:

- Investment in **SLR and Non-SLR securities**
- Types of instruments in which the Bank can invest
- Classification of investments such as **HTM, AFS, and HFT**
- Limits on investment and exposure
- Procedure for purchase and sale of investments
- Valuation and accounting of investments
- Roles and responsibilities of officials handling investments
- Monitoring, reporting, and internal control systems

This policy will be applicable to all branches and departments involved in investment-related work and shall be followed for all investment decisions of the Bank.

Categories of Investments

The Bank shall classify its investments into the following three categories as per RBI guidelines:

1. Held to Maturity (HTM)

These are investments which the Bank intends to keep till the maturity date.

- Mostly includes SLR securities like Government Bonds
- Not affected by market price changes on a regular basis
- Provides stable and safe returns

2. Available for Sale (AFS)

These are investments which the Bank may sell when required.

- Can be sold based on liquidity needs or market conditions
- Value may change depending on market rates
- Reviewed and valued periodically

THE MAHAVEER CO-OP. BANK LTD. BELAGAVI

3. Held for Trading (HFT)

These are investments made for short-term trading purpose.

- Bought and sold to earn profit from market movements
- Usually held for short duration (up to 90 days)
- Requires regular monitoring of market prices

SLR Investments

The Bank shall maintain the **Statutory Liquidity Ratio (SLR)** as prescribed by the Reserve Bank of India (RBI) from time to time, based on its Net Demand and Time Liabilities (NDTL).

For this purpose, the Bank shall invest in approved securities to ensure both **statutory compliance** and **availability of liquid funds** whenever required.

SLR investments shall generally include:

- **Government of India Securities (G-Secs)**
- **State Development Loans (SDLs)**
- **Treasury Bills (T-Bills)**
- Any other securities approved by RBI for SLR purpose

The Bank shall mainly invest in **safe and low-risk securities**, so that there is no risk to the Bank's funds and liquidity is maintained at all times.

While making SLR investments, the Bank shall consider:

- Day-to-day **liquidity requirements**
- **Interest rate movements** in the market
- Proper **maturity planning** to avoid concentration in one period
- Availability of funds and overall investment position

The Bank shall ensure that:

- SLR is maintained **on a continuous basis** as per RBI norms
- There is **no shortfall** in maintaining the required level
- Any shortfall, if at all, is immediately reported and corrected

All SLR investments shall be properly recorded and kept in Subsidiary General Ledger (SGL) / Demat account as applicable.

- All SLR securities shall be held in SGL/CSGL/Demat accounts and reconciled on a daily basis.

- The Bank shall ensure that it does not enter into any sale transaction without actually holding the securities

THE MAHAVEER CO-OP BANK LTD. BELAGAVI

The investment position shall be reviewed regularly by the management to ensure proper compliance and effective fund management.

Non-SLR Investments

In addition to SLR investments, the Bank may invest its surplus funds in **Non-SLR securities**, as permitted by the Reserve Bank of India (RBI) from time to time.

These investments are mainly made to **earn better returns**, while ensuring safety of funds.

Non-SLR investments may include:

- **Mutual Fund schemes** (subject to RBI guidelines) Aditya Birla MF code. 284
- **Bonds of Public Sector Undertakings (PSUs)** LD- 284/54
- **Corporate Bonds and Debentures** (only of good rating)
- **Certificates of Deposit (CDs)**
- **Commercial Papers (CPs)**
- Any other instruments permitted by RBI

The Bank shall invest only in **approved and well-rated securities**, preferably with **high credit ratings (AAA/AA)** from recognized rating agencies like CRISIL, ICRA, CARE, etc.

The Bank shall ensure the following while making Non-SLR investments:

- Safety of funds is given **top priority**
- Investments are made only in **reliable and financially sound institutions**
- Proper **diversification** is maintained to avoid risk
- Liquidity of the instrument is considered before investment

The Bank shall **not invest** in:

- Unrated or low-rated securities
- Speculative or high-risk instruments.
- Any investment not permitted by RBI

A **reasonable limit** for Non-SLR investments shall be fixed by the Board from time to time, and the same shall be strictly followed.

- Total Non-SLR investments shall not exceed 10% of total deposits as on 31st March of previous year.
- Investment in perpetual debt instruments is prohibited.
- Investment in unlisted securities shall not exceed 10% of total Non-SLR investments.
- All Non-SLR investments shall comply with single and group exposure limits prescribed by RBI.

All Non-SLR investments shall be properly recorded and **reviewed periodically** to monitor performance and risk.

THE MAHAVEER CO-OP. BANK BELAGAVI

Investment in Non-SLR Securities – Due Diligence

Before making any investment in Non-SLR securities, the Bank shall carry out proper **due diligence** to ensure safety of funds and avoid unnecessary risk.

The Bank shall invest only after satisfying itself about the **financial strength and credibility** of the issuer.

The following points shall be considered before making such investments:

- The security should have a **good credit rating** (preferably AAA / AA) from recognized rating agencies like CRISIL, ICRA, CARE, etc.
- The **financial position** of the company/institution should be sound
- The issuer should have a **good track record of repayment**
- The instrument should have **reasonable liquidity**, so that it can be sold if required
- The **terms and conditions** of the investment should be clear and acceptable

The Bank shall avoid investments in:

- **Unrated or low-rated securities**
- Companies with **weak financials or doubtful reputation**
- Instruments which are **complex or not clearly understood**

Before making major investments, basic verification such as:

- Latest **financial statements**
- **Credit rating reports**
- Market feedback, wherever available

All Non-SLR investments shall be **approved by the competent authority** and properly recorded.

The performance of such investments shall be **reviewed periodically**, and any adverse developments shall be brought to the notice of the management immediately.

TREASURY OPERATIONS (FRONT & BACK OFFICE)

• Clear segregation between Front Office (dealing), Mid Office (risk monitoring), and Back Office (settlement & accounting) shall be maintained.

• Front Office shall execute deals; Back Office shall handle settlement, accounting, and reconciliation.

• Daily reconciliation of SGL/CSGL/Demat accounts shall be carried out.

• Maker-checker system shall be strictly followed.

Placement of Deposits with Other Banks

The Bank may place its surplus funds as deposits with other banks, as permitted by the Reserve Bank of India (RBI), for the purpose of **managing liquidity and earning reasonable returns.**

Such deposits may be placed with:

- **Scheduled Commercial Banks**
- **Nationalized Banks**
- **Private Sector Banks**
- **District Central Co-operative Banks (DCCBs)**
- **State Co-operative Apex Banks**
- **Scheduled Urban Co-operative Banks (UCBs)**
- **Primary Dealers** (only for Call Money, as permitted by RBI)

The Bank may place:

- **Term Deposits**
- **Call Money Deposits** Code - 31131 place with HDFC & IDBI

As per RBI guidelines.

As per RBI Circular No. **UBD (PCB) BPD Cir. No. 47/16.20.000/2008-09 dated 30th January 2009**, the Bank shall follow the below limits:

- The Bank shall **not place more than 5% of its total deposit liabilities** (as on 31st March of the previous financial year) with any **single bank.**
- The total deposits placed with all banks belonging to the **same group shall not exceed 20%** of the Bank's total deposit liabilities.
- Total inter-bank exposure shall not exceed 20% of total deposits.
- Exposure to a single bank shall not exceed 5% (2% for UCB/SFB).
- Provisioning shall be made for deposits with weak/AID banks as per RBI norms.

5% & 20% Reports Generates

The Bank shall ensure that deposits are placed only with **financially sound and well-managed banks.**

While placing deposits, the following points shall be considered:

- **Safety of funds** shall be given top priority
- **Financial position and reputation** of the bank
- **Interest rates** offered
- **Liquidity requirement** of the Bank
- Proper **diversification** to avoid concentration risk

The Bank shall strictly follow all RBI guidelines relating to **inter-bank exposure, eligible institutions, and deposit period.**

All such deposits shall be:

- Properly **approved and recorded**
- Monitored for **interest and maturity dates**
- Reviewed periodically by the management

The Bank shall avoid placing deposits with banks having **weak financial position or adverse reports**.

A record of all inter-bank deposits shall be maintained and placed before the **Board/Management at regular intervals** for review.

Profit Booking

The Bank may sell its investments from time to time to **book profit**, depending on market conditions and liquidity requirements.

Profit on sale of investments shall be taken to the **Profit & Loss Account**, as per applicable accounting and RBI guidelines.

While booking profit, the Bank shall ensure:

- Decisions are taken based on **market position and interest rate movement**
- Overall **investment portfolio is not disturbed unnecessarily**
- **SLR requirements are maintained** at all times

In case of investments under **AFS and HFT categories**, profit or loss may arise due to market fluctuations, and the same shall be accounted as per RBI norms.

The Bank shall follow the principle that:

- **Profit can be booked when available**
- But unnecessary or frequent trading should be avoided

Proper records of all sale transactions and profit booked shall be maintained.

The investment position, including profit booked, shall be **reviewed periodically** by the management/Board.

Investment Committee

The Bank shall constitute an **Investment Committee** for effective oversight, management, and monitoring of all investment-related activities, ensuring safe, prudent, and systematic deployment of the Bank's funds.

The Committee may consist of:

- **Chairman_(Chairperson):**
  To lead the Committee and take final decisions on important investment matters.
- **Vice_Chairman:**
  To support the President and take part in discussions and decisions.
- **Director:**
  To review proposals and give suggestions for safe investment.
- **Chief_Executive_Officer_(CEO):**
  To carry out the decisions of the Committee and look after day-to-day investment work.
- **Senior_Branch_Official/Staff:**
  To handle records, follow up on investments, and assist in all related work.

The Committee shall meet at regular intervals to review the investment position of the Bank.

Functions of the Committee:

- To review the **overall investment portfolio** of the Bank
- To ensure compliance with **RBI guidelines and Bank policy**
- To monitor **SLR and Non-SLR investments**
- To take decisions on **purchase and sale of investments** within approved limits
- To review **returns, risk, and liquidity position**
- To ensure proper **diversification of investments**

• All investment transactions shall be subject to concurrent audit.
• Audit observations shall be placed before the Board periodically
Important decisions and major investments shall be placed before the **Board of Directors** for approval, wherever required.

CUT LOSS POLICY

• A cut-loss limit of 2.5% shall be applied to investments under AFS and HFT categories.
• If the market value falls beyond this threshold, the Bank shall take appropriate action to minimize losses with proper approval.

Investment Governance Structure

The Bank shall constitute an **Investment Committee** for proper planning, execution, and monitoring of all investment activities of the Bank.

The Committee shall function under the overall guidance of the **Board of Directors** and within the framework of RBI guidelines and this policy.

Composition of the Committee:

The Investment Committee shall consist of the following members:

- **Chairman** – Chairperson
- **Vice Chairman** – Member
- **Director** – Member
- **Chief Executive Officer (CEO)** – Member
- **Senior Branch Official / Staff** – Member

Responsibilities of Investment Committee

The Investment Committee shall be responsible for proper management and supervision of the Bank's investments.

The Committee shall:

- Meet **at least once in a month or as and when required**
- Review the **overall investment position and portfolio** of the Bank
- Approve **purchase and sale of investments** within the approved limits
- Monitor **returns and risks** on investments
- Oversee the **day-to-day investment operations**
- Ensure all investments are made in compliance with **RBI guidelines and Bank policy**
- Guide and recommend suitable **investment decisions and strategies** to the management/Board

Responsibilities and Transaction Procedure

All purchase and sale of investments shall be carried out with the approval of the Investment Committee.

Normally, approval shall be taken from the Committee members. In urgent cases, **telephonic approval** from one or two members may be obtained and recorded.

The Investment Committee shall also guide and recommend the **procedure for investment transactions** to the Board of Directors.

The process for such transactions shall be as follows:

a)**Collection_of_Rates:**
Rates shall be obtained from **approved brokers, counterparty banks, or Primary Dealers**, as applicable, to ensure fair and competitive pricing.

b)**Submission_of_Proposal:**
The **CEO / Senior Investment Officer** shall place the details of the proposed transaction before the Investment Committee, along with a brief note on **expected gain or loss**.

c)**Approval_of_Transaction:**
Based on the proposal, approval shall be obtained from **one or two members of the Investment Committee**. In urgent situations, **telephonic approval** may be taken.

d)**Execution_of_Deal:**
After approval, the transaction shall be finalized with the selected party.

e)**Preparation_of_Deal_Note:**
A **deal note** shall be prepared by the CEO / Senior Investment Officer or any authorized official, giving full details of the transaction.

f)**Authorization:**
The deal note shall be **signed by the Chairman / Vice-Chairman / Director**, as applicable.

g)**Record_Maintenance:**
All transactions shall be properly **recorded and kept for reference and audit.**

Operating Policy

A) Portfolio Segmentation

The Bank shall classify its investment portfolio into **HTM, AFS, and HFT** categories as per RBI guidelines.

- The Bank shall normally hold its **SLR investments under HTM category**.
- Investments made over and above the requirement may be classified under **AFS or HFT**, based on liquidity and market conditions.

Shifting of investments:

- Shifting to/from **HTM category shall be done only once in a financial year**, with the approval of the **Board of Directors**.
- Such shifting shall generally be done **at the beginning of the financial year**.
- No frequent shifting shall be allowed during the year, except as permitted by RBI.

The allocation between categories shall be based on:

- **Liquidity position of the Bank**
- **Market conditions and interest rates**
- **Risk and return of securities**

- Overall **investment strategy**

Transfer/sale from HTM category shall be allowed only under the following conditions:

- When the security is **close to maturity (within 3 months)** or nearing call date
- Total transfer/sale shall **not exceed 15% of the HTM portfolio** in a financial year
- In case of **deterioration in credit quality** of the issuer
- Due to **changes in tax laws or regulatory guidelines**
- Due to **restructuring of assets/liabilities or exposure management needs**

B) Accounting

- Investments shall be accounted for as per **RBI guidelines and applicable accounting standards**
- **HTM Category:**
  - Carried at **cost**
  - Premium, if any, shall be **amortized over the remaining period**
  - HTM category shall not exceed 25% of total investments, except as permitted by RBI for SLR securities.
- **AFS Category:**
  - Recorded at **cost**
  - Valued periodically as per market rates
  - **Net depreciation**, if any, shall be provided
- **HFT Category:**
  - Marked to market frequently as per RBI norms
- Transfer of securities between categories shall be done at the **lowest of book value, acquisition cost, or market value** on the date of transfer

Proper records shall be maintained for all investments.

C) Transactions

- All investment transactions shall be carried out only by **authorized officials** such as CEO / Senior Investment Officer
- Transactions shall be done through **approved brokers, banks, or Primary Dealers**
- **Purchase/Sale of Securities:**
  Shall be done with proper approval and within limits fixed by the Investment Committee
- **Call Money Transactions:**
  Shall be handled only by **authorized officials**, as permitted by RBI
- **Placement of Deposits:**
  Shall be based on **interest rate, safety, and maturity period**, with proper approval

All transactions shall be supported by:

- **Deal slips / deal notes**
- Proper **documentation and records**

D) Permissible Transfers from HTM

Transfer of securities from HTM category shall be allowed only under the following conditions:

- Security is **within 3 months of maturity**
- Total transfer does not exceed **15% of HTM portfolio** during the year
- Due to **change in creditworthiness of issuer**
- Due to **changes in tax or regulatory guidelines**

All such transfers shall be **properly approved and recorded**.

E) Fair Valuation

- Valuation of investments shall be done as per **RBI guidelines**
- Market prices shall be obtained from:
  - **FBIL (Fixed Income Money Market and Derivatives Association of India)**
  - **RBI-approved sources**
- Where market prices are not available, **YTM (Yield to Maturity) method** shall be used
- **AFS and HFT investments** shall be marked to market
- **Net depreciation shall be provided**, while appreciation shall not be recognized
- Valuation shall be done scrip-wise and depreciation/appreciation shall not be set off across categories.
- Market prices shall be sourced from FBIL/FIMMDA/RBI.
- Investments where interest/principal is overdue shall be treated as non-performing and income shall not be recognized.

Proper valuation records shall be maintained and reviewed periodically.

INVESTMENT DEPRECIATION RESERVE (IDR)

- Depreciation on AFS/HFT investments shall be provided and transferred to IDR.
- Excess provision, if any, may be adjusted as per RBI guidelines.

Record Keeping

The Bank shall maintain proper and systematic records of all investment transactions:

- **Separate registers and records** shall be maintained for all types of investments.
- All **deal slips/deal notes shall be serially numbered**, duly authorized, and preserved for audit and inspection.
- Complete documentation including confirmations, SGL statements, and supporting records shall be maintained in an orderly manner.

Investment Transactions & Documentation

A) Investment Transactions

- All investment transactions shall be carried out only by **authorized officials** such as the CEO / Senior Investment Officer.
- Purchase and sale of investments shall be done through **approved brokers, banks, or Primary Dealers**, as permitted by RBI.
- **Competitive rates** shall be obtained before finalizing any transaction.
- All transactions shall be executed only after **proper approval of the Investment Committee**.
- The Bank shall ensure that all investments are within **permitted limits and RBI guidelines**.

B) Documentation

The following documents shall be maintained for all investment transactions:

- **Deal notes / deal slips** with full transaction details
- **Broker notes or confirmations**
- **SGL / Demat account statements**, wherever applicable
- **Payment and receipt records**
- Any other relevant supporting documents

All documents shall be:

- **Verified and approved**
- Properly **maintained for audit and inspection**

C) Monitoring & Control

- All transactions shall be **recorded promptly**
- Investment records shall be **reconciled periodically**
- **Maturity dates and interest** shall be tracked regularly
- Any differences or issues shall be **reported immediately to management**

Reporting and Review

A) Quarterly Reporting to Board

A report on investments shall be placed before the Board on a quarterly basis, including:

- Summary of **all investment transactions** with profit or loss
- Details of **total investment portfolio**, including yield and appreciation/depreciation
- Status of **compliance with RBI guidelines and regulatory norms**

B) Emergency Authority

In case of urgent requirement for maintaining **SLR**, the **CEO / Senior Investment Officer** may invest in SLR securities.

Such decisions shall be placed before the **Investment Committee** for **ratification** at the next meeting.

C) Annual Review

- This Investment Policy shall be **reviewed annually**
- Any changes required due to **RBI guidelines or internal needs** shall be placed before the **Board for approval**

Audit and Reporting

To ensure transparency and regulatory compliance:

- All treasury and investment operations shall be subject to **Concurrent Audit** on an ongoing basis.
- **Monthly reports** on investment transactions and compliance shall be submitted to the Chief Executive Officer.
- A **half-yearly review** of the investment portfolio shall be placed before the Board and submitted to the **Reserve Bank of India** within the prescribed timelines.

Accounting Guidelines

- **HTM Securities:**
  Shall be carried at **cost**, with premium amortized, and valued as per RBI norms
- **AFS Securities:**
  Shall be valued at **market rates**, and **net depreciation**, if any, shall be provided
- **Transfer Between Categories:**
  Shall be recorded at the **lower of book value or market value** on the date of transfer

Income Recognition

The Bank shall follow prudent income recognition norms in respect of its investment portfolio, in line with RBI guidelines:

- Income on investments in Mutual Funds shall be recognized on a **cash basis.**
- Interest income on Government Securities and other interest-bearing instruments shall be recognized on an **accrual basis**, provided that such income is not in arrears.
- In respect of **non-performing investments**, income shall **not be recognized**, and appropriate provisioning shall be made as per regulatory norms.

Settlement Accounting

The Bank shall adopt the **Settlement Date Accounting** system for recording all transactions in Government Securities, both for outright and ready forward deals, in order to ensure uniformity and compliance with regulatory requirements.

Broken Period Interest

Broken period interest paid at the time of purchase of Government or other approved securities shall be treated as an **expense in the Profit & Loss Account** and shall **not be capitalized** as part of the cost of investment, in accordance with applicable accounting standards and RBI guidelines.

Risk Management and Compliance

- The Bank shall follow **RBI exposure limits and internal limits**
- Investment risks such as **credit risk, interest rate risk, and liquidity risk** shall be **reviewed periodically**
- **Counterparty strength and concentration risk** shall be considered before investment
- No investment shall be made without **proper due diligence and approval**

List of Approved Brokers / Dealers / Institutions

The Bank may undertake investment transactions through the following approved institutions:

1. HDFC Bank Ltd.
2. PNB Gilts Ltd.
3. Kotak Mahindra Capital Company Ltd.
4. IDBI Gilts
5. SBI DFHI
6. Trust Capital

Note: The above list shall be **reviewed annually** and updated as required with approval.

Penal Provisions

The Bank shall strictly adhere to all regulatory guidelines. Any violation, including but not limited to **SGL bouncing, non-compliance with RBI instructions, or irregular transactions**, may attract **penal action by the Reserve Bank of India**, in addition to internal disciplinary action.

Conclusion

This Investment Policy is prepared to guide **The Mahaveer Co-operative Bank Ltd., Belagavi** in making **safe, prudent, and profitable investment decisions**.

The policy ensures:

- Compliance with **RBI guidelines**
- Proper **risk management**
- **Transparency and accountability** in investment operations

The Bank shall follow this policy to maintain **financial stability and protect the interests of depositors and stakeholders**.

The Mahaveer Co-operative Bank Ltd., Belagavi

Chief Executive Officer/Vice-Chairman/Chairman