



**The Mahaveer Co-op. Bank Ltd.,**  
1157, Shree Renuka Towers Anantshayan Galli, Belagavi-590002  
Phone: 0831-4212236, 2407120/2407121, Mobile: 6364841018

## **INVESTMENTPOLICY 2025-26**

**Approved by the Board of Directors on 29-07-2025, vide Resolution No. 10.**

### **INVESTMENTPOLICY**

This policy is subject to RBI guidelines and notifications, as amended. As per Section 24 of the Banking Regulation Act, 1949, every Primary (Urban) Co-operative Bank must maintain liquid assets of at least 25% of its Demand and Time Liabilities (DTL) in addition to the Cash Reserve. To meet these requirements and manage surplus funds, The Mahaveer Co-operative Bank Ltd., Belagavi shall invest in SLR and Non-SLR securities as per RBI and other applicable regulations

#### **1. OBJECTIVE**

The objective of this Investment Policy is to provide broad guidelines for management of the investment Portfolio.

The investment operations are conducted with a view to comply with statutory liquidity ratio requirements and to aim at achieving better returns while providing adequate source of liquidity and quality of the portfolio.

The broad objectives of Investment operations are:-

- i) To deploy the surplus funds of the Bank after meeting credit/loan demands, fully and effectively.
- ii) To provide short-term liquidity to meet potential withdrawals of Deposits and/or increase in Loan/Credit Portfolio.
- iii) To maintain maturity pattern of investments consistent with the Bank need for funds and Asset Liability Management needs.
- iv) To ensure optimum utilization of scarce capital to achieve higher scale of business with lower Average risk weightage so that overall bank Capital Adequacy Ratio is improved with higher yield.
- v) In case of other Approved/State Loans/Non-SLR securities To provide adequate diversification between: -
  - a) Issuing Authorities
  - b) States
  - c) Industries
  - d) Security Types
  - e) Maturity Pattern
- vi) To seek maximum yield within reasonable level of risk in consonance with liquidity management and quality objectives.



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### **2. ALLOCATION OF RESOURCES**

- The funds to be committed to strategic investments or for other corporate commitments may be allocated/reallocated as per requirements of the Bank from time to time.
- Investment portfolio would thus consist of the following segments:

<b><u>Segments</u></b>	<b><u>Resource Allocation</u></b>
i) Investment in Govt. and approved Securities (For maintaining Statutory Liquidity Ratio)	As per RBI directives from time to time.
ii) a) Investment in Non-SLR Securities & also excess SLR investments	As per need of the Bank from time to time depending upon liquidity, Demand for Credit, Interest rate scenario etc. to maximize yield.
b) Strategic and other investments	As per requirements of the Bank.

### **3. RESTRICTIONS ON HOLDING SHARES IN OTHER CO-OPERATIVE SOCIETIES**

Section 19 of the Banking Regulation Act, 1949 (AACS) stipulates that no co-operative bank shall hold shares in any other co-operative society except to such extent and subject to such conditions as the Reserve Bank of India may specify in that behalf. However, nothing contained in the section applies to -

- a) in the case of a primary (urban) co-operative bank (UCB), holding of shares in the central co-operative bank to which it is affiliated or in the state co-operative bank of the state in which it is registered and such holding shall not exceed 2% of its own capital and reserves..

### **4. STATUTORY (SLR) INVESTMENTS**

- 4.1 In terms of provisions of section 24 of the BR Act 1949, (AACS), bank is required to maintain liquid assets which at the close of business on any day should not be less than 19.5% w.e.f. 31<sup>st</sup> March, 2018 but not exceeding 40% of its Net demand and time liabilities in India as on the last Friday of the second preceding fortnight which may be held in the form of (a) subsidiary general ledger (SGL) account which can be maintained in the bank's own name directly with Reserve Bank of India or in constituent



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subsidiary general ledger account (CSGL) opened with any scheduled commercial bank, state co-operative bank/primary dealer or Stock Holding Corporation of India Ltd.

4.2. The bank is permitted to open SGL accounts with the Reserve Bank of India.

(i) such SLR assets shall be maintained by the bank as-

- (a) Cash, or
- (b) Gold valued at a price not exceeding the current market price, or
- (c) Unencumbered investment in approved securities as defined in section 5(a) of the Banking Regulation Act, 1949 (10 of 1949) read with section 56 thereof:

Provided that the instruments acquired from the Reserve Bank under the Liquidity Adjustment Facility (LAF) shall not be included as SLR securities for the purpose of maintenance of SLR assets;

Provided further that the following securities shall not be treated as encumbered for the purpose of maintenance of SLR assets, namely:-

The securities lodged with another institution for an advance or any other credit arrangement to the extent to which such securities have not been drawn against or availed of;

### **5. CASH RESERVE RATIO**

In terms of Section 18 of B.R. Act. 1949 (AACS) the bank is required to maintain CRR at the close of the business at any day should not be less than 4% of its Net demand and time liabilities in India as on the last Friday of the second preceding fortnight in cash with itself or in current account (Net balance) opened with the Reserve Bank or State Bank of India or State Co-operative Bank of the state concerned or Nationalised bank and shall submit in prescribed form, a return to Reserve bank of India on or before the 15th of the subsequent month.

### **6. DELEGATION OF AUTHORITY**

The investment upto Rs.1.00 crore (Rupees One Crore only) in Govt. and other approved securities may be undertaken jointly by the Managing Director/CEO and any other two authorized officials/signatories of the Bank subject to post facto approval of the Board of Directors and above Rs.1.00 crore be undertaken jointly by the Managing Director/CEO and any other two officials/signatories of the Bank, with the approval of Chairman/Vice Chairman, Investment Sub-Committee subject to final post facto approval of the Board.



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### **7. QUANTITY & QUALITY OF INVESTMENTS**

- 7.1 The bank shall invest in Govt. Securities and State Government loan under the authority delegated in terms of para 6 of the policy.
- 7.2 Placement of Deposits with other Banks i.e. Public Sector Banks/ Scheduled private sector Banks and the State Cooperative Bank in Term Deposits, Certificate of Deposits, Current Deposits and/or any other Deposit Account, including Call Money as per prudential inter bank exposure limit and prudential inter bank counter party limit fixed by Board from time to time shall be under taken jointly by Chief Executive Officer with any of the two authorized officials/signatories of the Bank subject to prior or post facto approval of the Board. All the transactions shall be clearly recorded indicating full details and shall be put before the Investment Sub-Committee/ Audit Sub-Committee for periodic review of investment transactions and shall also be placed before the Board for information.
- 7.3 For every transaction entered into, a deal slip should be prepared which should contain details relating to name of the counter-party, whether it is direct deal or through a broker, and if through a broker, details of security, amount, price, contract date and time. For each deal, there must be a system of issue of confirmation to the counterparty.
- 7.4 The Deal Slips should be serially numbered and controlled separately to ensure that each deal slip has been properly accounted for.
- 7.5 On the basis of vouchers passed after verification of actual contract notes received from the broker/counter-party and confirmation of the deal by the counter-party the bank should independently write the books of accounts.
- 7.6 A record of broker-wise details of deals put through and brokerage paid should be maintained.
- 7.7 The Internal Audit Department should audit the transactions in securities on an ongoing basis and monitor compliance with the laid down management policies and prescribed procedures and report the deficiencies directly to the management of the bank.

### **8. GENERAL GUIDELINES**

#### **8.1. SETTLEMENT OF GOVERNMENT SECURITIES TRANSACTIONS – THROUGH CLEARING CORPORATION OF INDIA LTD. (CCIL)**

- 8.2 The bank should not undertake any purchase/sale transactions with broking firms or other intermediaries on principal to principal basis.
- 8.3 No sale transaction should be put through by bank without actually holding the security in its investment account i.e. under no circumstances bank should hold an oversold position in any security. However, scheduled UCBs may sell a Government Security already contracted for purchase, provided :



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8.3.1 the purchase contract is confirmed prior to the sale,

8.3.2 the purchase contract is guaranteed by CCIL or the security is contracted for purchase from the Reserve Bank and,

8.3.3 the sale transaction will settle either in the same settlement cycle as the preceding purchase contract, or in a subsequent settlement cycle so that the delivery obligation under the sale contract is met by the securities acquired under the purchase contract (e.g. when a security is purchased on T+0 basis, it can be sold on either T+0 or T+1 basis on the day of the purchase; if however it is purchased on T+1 basis, it can be sold on T+1 basis on the day of purchase or on T+0 or T+1 basis on the next day). Sale of Government Securities allotted to successful bidders in primary issues on the day of allotment, with and between CSGL constituent account holders is permitted.

8.4 For purchase of securities from the Reserve Bank through Open Market Operations (OMO), no sale transactions should be contracted prior to receiving the confirmation of the deal/advice of allotment from the Reserve Bank.

8.5 Banks should exercise abundant caution to ensure adherence to these guidelines. The concurrent auditors should specifically verify the compliance with these instructions. The concurrent audit reports should contain specific observations on the compliance with the above instructions and should be incorporated in the monthly report to the Chairman and Managing Director/Chief Executive Officer of the bank and the half yearly review to be placed before the Board of Directors. CCIL will make available to all market participants as part of its daily reports, the time stamp of all transactions as received from NDS. The mid office/back office and the auditors may use this information to supplement their checks/scrutiny of transactions for compliance with the instructions. Any violation noticed in this regard should immediately be reported to the Regional Office concerned of Department of Cooperative Banks Supervision and the Public Debt Office (PDO), Reserve Bank of India, Mumbai. Any violation noticed in this regard would attract penalties as currently applicable to the bouncing of SGL forms even if the deal has been settled because of the netting benefit under DVP III, besides attracting further regulatory action as deemed necessary.

8.6 Bank is successful in the auction of primary issue of Government Securities, may enter into contracts for sale of the allotted securities in accordance with the terms and conditions as indicated below :

8.6.1 The contract for sale can be entered into only once by the allottee bank, on the basis of an authenticated allotment advice issued by Reserve Bank. The selling bank should make suitable noting/stamping on the



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allotment advice indicating the sale contract number etc., the details of which should be intimated to the buying entity. The buying entity should not enter into a contract to further resell the securities until it actually holds the securities in its investment account. Any sale of securities should be only on a T+0 or T+1 settlement basis.

- 8.6.2 The contract for sale of allotted securities can be entered into by bank only with entities maintaining SGL Account with Reserve Bank for delivery and settlement on the next working day through the DVP system.
- 8.6.3 The face value of securities sold should not exceed the face value of securities indicated in the allotment advice.
- 8.6.4 The sale deal should be entered directly without the involvement of broker/s.
- 8.6.5 Separate record of such sale deals should be maintained containing details such as number and date of allotment advice, description and the face value of securities allotted, the purchase consideration, the number, date of delivery and face value of securities sold, sale consideration, the date and details of actual delivery i.e. SGL Form No., etc. This record should be made available to Reserve Bank for verification. Bank should immediately report any cases of failure to maintain such records.
- 8.6.6 Such type of sale transactions of Government Securities allotted in the auctions for primary issues on the same day and based on authenticated allotment advice should be subjected to concurrent audit and the relative audit report should be placed before the Board of Directors of the bank once every month. A copy thereof should also be sent to the Regional Office concerned of Department of Cooperative Banks Supervision.
- 8.6.7 Bank will be solely responsible for any failure of the contracts due to the securities not being credited to their SGL account on account of non-payment / bouncing of cheque etc.
- 8.7 Bank should seek a scheduled commercial bank, a PD, a financial institution, another UCB, insurance company, mutual fund or provident fund, as counter-party for their transactions. Preference should be given for direct deals with such counter parties. It will be desirable to check prices from other banks or PDs with whom the Bank may be maintaining CSGL account. The prices of all trades done in Government Securities, including those traded through NDS, are also available at Reserve Bank's website ([www.rbi.org.in](http://www.rbi.org.in)).



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- 8.8 Bank may take advantage of the non-competitive bidding facility in the auction of Government of India dated securities, provided by ReserveBank. Under this scheme, bank may bid upto Rs. two crore (face value) in any auction of Government of India dated securities, either directly,through a bank or through a PD. For availing this facility, no bidding skillis required, as allotment upto Rs. two crore (face value) is made at the weighted average cut-off rate which emerges in the auction. Bank may also participate directly or through a bank or a PD in the auctions of state development loans, where coupon is mostly fixed in advance and notified by Reserve Bank.
- 8.9 CSGL Accountsshouldbeusedforholdingthesecuritiesandsuchaccounts should be maintained in the same bank with whom the cash account is maintained. For all transactions delivery versus payment must be insisted upon by the bank.
- 8.10 In case CSGL account is opened with any of the non-banking institutions indicated above, the particulars of the designated funds account (with a bank) should be intimated to that institution.
- 8.11 All transactions must be monitored to see that delivery takes place on settlement day. The fund account and investment account should be reconciled on the same day before close of business.
- 8.12 Officialsdecidingabout purchase andsaletransactions should beseparated from those responsible for settlement and accounting.
- 8.13 All investment transactions should be perused by the Board at least once a month.
- 8.14 The bank should keep a proper record of the SGL forms received / issued to facilitate counter-checking by their internal control systems/Inspecting Officers of Reserve Bank/other auditors.
- 8.15 All purchase/sale transactions in Government Securities bythe bank should necessarilybethrough SGL account (withReserve Bank) or CSGL account (with a scheduled commercial bank/state co-operative bank/PD/SHCIL) or in a dematerialized account with depositories (NSDL/CDSL/NSCCL).
- 8.16 NotransactionsinGovernmentSecuritiesbythebankshould be undertaken in physical form with any broker.
- 8.17 The entities maintaining the CSGL/designated funds accounts are required to ensure availability of clear funds in the designated funds accounts for purchases and of sufficient securities in the CSGL account for sales before putting through the transactions.



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- 8.18 The security dealings of bank generally being for large values, it may be necessary to ensure, before concluding the deal, the ability of the counter- party to fulfill the contract, particularly where the counter-party is not a bank.
- 8.19 While buying securities for SLR purpose, the bank should ensure that the security it intends to purchase has an SLR status. The SLR status of securities issued by the Government of India and the State Governments will be indicated in the Press Release issued by the Reserve Bank at the time of issuance of the securities. An updated and current list of the SLR securities will be posted on the Reserve Bank's website ([www.rbi.org.in](http://www.rbi.org.in)) under the link "Database on Indian Economy."
- 8.20 In order to avoid concentration of risk, the banks should have a fairly diversified investment portfolio. Smaller investment portfolios should preferably be restricted to securities with high safety and liquidity such as Government Securities.
- 8.21 Bank may seek the guidance of Primary Dealers' Association of India (PDAI)/Fixed Income and Money Market Dealers' Association (FBIL) on investment in Government Securities.

## **9. TRANSACTIONSTHROUGHCSGLACCOUNTS**

### **9.1 CSGLAccount**

- 9.1.1 The bank is maintaining CSGL Account with HDFC Bank, Bengaluru. All transactions in Government Securities for which CSGL facilities available, should be put through CSGL accounts only.
- 9.1.2 Before issue of CSGL transfer forms covering the sale transactions, bank should ensure that they have sufficient balance in the respective CSGL accounts. Under no circumstances, should a CSGL transfer form issued by a bank in favour of another bank, bounce for want of sufficient balance in the CSGL account. The purchasing bank should issue the cheques only after receipt of the CSGL transfer forms from the selling bank.

### **9.2 Control, Violation and Penalty Provisions**

- 9.2.1 Record of CSGL transfer forms issued/received should be maintained. Balances as per the bank books in respect of CSGL accounts should be reconciled with the balances in the books of HDFC Bank. The statement of Balance of CSGL Account can be obtained from the HDFC Bank on monthly basis for reconciliation of its CSGL balances as per its books and



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the position in this regard should be placed before the Audit Committee of the Board. This reconciliation should also be periodically checked by the internal audit department. A system for verification of the authenticity of the CSGL transfer forms received from other banks and confirmation of authorized signatories should be put in place.

- 9.2.2 Bank should also forward a quarterly certificate indicating that the balances held in the CSGL accounts with the HDFC Bank have been reconciled and that it has been placed before the Audit Committee of the Board. A copy thereof should be sent to the Regional Office concerned of the Department of Cooperative Banks Supervision.
- 9.2.3 Bank should put in place a system to report to the Top Management on a monthly basis the details of transactions in securities, details of bouncing of CSGL transfer forms issued by other banks and review of investment transactions undertaken during the period.
- 9.2.4 All promissory notes, debentures, shares, bonds, etc. should be properly recorded and held under joint custody. A separate register may be maintained to record the particulars of securities taken out/re-lodged. These should be subjected to periodical verification, say once in a quarter or half-year, by persons unconnected with their custody.
- 9.2.5 Certificates should be obtained at quarterly/half-yearly intervals in respect of securities lodged with other institutions. Similarly, it is necessary to reconcile the outstanding Bank Receipts with the counter-party at monthly intervals and reconciliation of CSGL Account balance with the HDFC Bank at monthly intervals.
- 9.2.6 The internal inspectors and concurrent auditors should peruse the transactions to ensure that the deals have been undertaken in the best interest of the bank. The Vigilance Cell should also make surprise sample checks of large transactions.
- 9.2.7 The concurrent auditors should certify that investments held by the bank, as on the last reporting Friday of each quarter and as reported to Reserve Bank, are actually owned/held by it as evidenced by the physical securities or the outstanding statement. Such a certificate should be submitted to the Regional Office of the Department of Cooperative Banks Supervision having jurisdiction over the bank, within 30 days from the end of the relative quarter.



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### **10. ENGAGEMENT OF BROKERS**

#### **10.1 Dealing through Brokers**

- 10.1.1 The inter-bank securities transactions should be undertaken directly between banks and **bank should not engage** the services of any broker in such transactions. Bank may, however, undertake securities transactions among themselves or with non-bank clients through members of the National Stock Exchange (NSE), the Stock Exchange, Mumbai (BSE)/Over The Counter Exchange of India (OTCEI) wherein the transactions are transparent. In case any transactions in securities are not undertaken on NSE, OTCEI or the BSE, the same should be undertaken by the bank directly without the use of brokers.
- 10.1.2 Purchase of permissible shares and PSU bonds in the secondary market (other than inter-bank transactions) should be only through recognized stock exchanges and registered stock-brokers.
- 10.1.3 The SBI DFHI has been permitted to operate as a broker in the inter-bank participation market. This would enable the bank to seek intermediation of SBI DFHI for borrowing/lending, if required. However, the bank shall be free to settle transaction in the inter-bank participation market directly, if so desired.
- 10.1.4 It should be ensured that the applications of the bank in respect of its own subscription to Central/State Government loans are submitted directly to the receiving offices of the Reserve Bank/State Bank of India and intermediaries or brokers should not be used for the purpose.
- 10.1.5 Similarly, where the investments are made by the bank on account of their clients, the relative applications bearing the bank's own stamps should be tendered direct to the receiving offices.
- 10.1.6 If a deal is put through with the help of a broker, the role of the broker should be restricted to that of bringing the two parties to the deal together. Under no circumstances should banks give power of attorney or any other authorization to the brokers/ intermediaries to deal on their behalf in the money and securities markets.
- 10.1.7 Disclosure of counter party should be insisted upon on conclusion of the deal put through brokers.
- 10.1.8 Contract confirmation from the counterparty should be insisted upon.
- 10.1.9 The brokers should not be involved in the settlement process at all i.e. both the fund settlement and delivery of security should be done with the counterparty directly.



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### **10.2 Empanelment of Brokers**

10.2.1 The bank should prepare a panel of brokers with the approval of their Board of Directors.

10.2.2 Brokers should be empanelled after verifying their credentials e.g.:

- (a) SEBI registration
- (b) Membership of BSE/NSE/OTCEI for debt market.
- (c) Market turnover in the preceding year as certified by the Exchange/s.
- (d) Market reputation etc.

10.2.3 The bank should check websites of SEBI/respective exchanges, to ensure that the broker has not been put in the banned list.

### **10.3 Broker Limits**

10.3.1 A disproportionate part of the business should not be transacted through only one or a few brokers. Bank should fix aggregate contract limits for each of the approved brokers, and ensure that these limits are not exceeded. A record of broker-wise details of deals put through and brokerage paid should be maintained.

10.3.2 A limit of 5% of total transactions (both purchases and sales) entered into by the bank during a year should be treated as the aggregate upper contract limit for each of the approved brokers.

10.3.3 This limit should cover both the business initiated by the bank and the business offered/brought to the bank by a broker.

10.3.4 It should be ensured that the transactions entered through individual brokers during a year normally do not exceed the prescribed limit. However, if it becomes necessary to exceed the aggregate limit for any broker, the specific reasons, therefore, should be recorded in writing by the authority empowered to put through the deals. In such cases, post-facto approval of the Board may be obtained after explaining the circumstances under which the limit was exceeded.

## **11 NON-SLR INVESTMENTS**

11.1 In order to contain risks arising out of the non-SLR investment portfolio of banks, the banks should adhere to the following guidelines:

### **11.1.1 Prudential Limit**

The Non-SLR investments will continue to be limited to 10% of a bank's total deposits as on March 31 of the previous year as per Prudential Inter Bank Exposure Limit and Prudential Inter Bank Counter Party Limit fixed by the Board from time to time.



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### **11.1.2 Instruments**

The bank may invest in the following instruments:

- (a) "A" or equivalent and higher rated Commercial Papers (CPs), debentures and bonds.
- (b) Units of Debt Mutual Funds and Money Market Mutual Funds.
- (c) Shares of Market Infrastructure Companies (MICs).

### **11.1.3 Restrictions**

- (a) Investment in perpetual debt instruments is not permitted.
- (b) Investment in unlisted securities should be subject to a minimum rating prescribed at 11.1.2 (a) above and should not exceed 10 percent of the total Non-SLR investments at any time. Where bank have already exceeded the said limit, no further investment in such securities will be permitted. Since there is a time lag between issuance and listing of securities, which are proposed to be listed but not listed at the time of subscription, banks may not be able to participate in primary issues of Non-SLR securities. In view of this, investments in Non-SLR debt securities (both primary and secondary market) by banks where the security is proposed to be listed in the Exchange(s) may be considered as investment in listed security at the time of making investment. However, if such security is not listed within the period specified, the same will be reckoned for the 10 percent limit specified for unlisted Non-SLR securities. In case such investments included under unlisted Non-SLR securities lead to a breach of 10 percent limit, the bank would not be allowed to make further investments in Non-SLR securities (both primary and secondary market) till such time its investment in unlisted securities comes within the limit of 10 percent.
- (c) Investment in deep discount / zero coupon bonds should be subject to the minimum rating as stated above and comparable market yields for the residual duration. However, bank is not permitted to invest in Zero Coupon Bonds from February 18, 2011 as advised vide circular No. UCB(PCB)BPD.Cir.No.36/ 16.20.000/2010-11 dated February 18, 2011 unless the issuer builds up a sinking fund for all accrued interest and keeps it invested in liquid investments / securities (Government bonds).
- (d) Investment in units of Mutual Funds, other than units of Debt Mutual Funds and Money Market Mutual Funds, are not permitted. The existing holding in units of Mutual Funds other than Debt Mutual Funds and Money Market Mutual Funds, including those in UTI should be



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disinvested. Till such time that they are held in the books of the bank, they will be reckoned as Non-SLR investments for the purpose of the limit at 11.1.1 above. The banks should, however, review risk management policy in place that ensures that they do not have disproportionate exposure in any one scheme of a Mutual Fund.

- (e) Non-SLR investment, other than in units of Debt Mutual Funds and Money Market Mutual Funds, and CPs, shall be in instruments with an original maturity of over one year.
- (f) Fresh investments in shares of All India Financial Institutions (AIFIs) will not be permitted.
- (g) All fresh investments under Non-SLR category should be classified under Held for Trading (HFT) / Available for Sale (AFS) categories only and marked to market as applicable to these categories of investments. However, 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 Held to Maturity (HTM) category
- (h) All Non-SLR investments will be subject to the prescribed prudential single/group counter party exposure limits fixed by the Board from time to time.
- (i) All transactions for acquisition / sale of Non-SLR investments in secondary market may be undertaken only with commercial banks/primary dealers as counterparties.
- (j) The bank investing in shares of Market Infrastructure Companies (MICs), is allowed to exceed the limit for Investments in Non-SLR / unlisted securities prescribed in paragraph 11.1.1 and 11.1.3(b) above, if it becomes necessary to do so for acquiring membership of MICs. The MICs eligible for such investments by UCBs are Clearing Corporation of India Ltd., National Payments Corporation of India and Society for World Wide Inter-Bank Financial Tele-Communication (SWIFT). The list of eligible MICs will be updated from time to time by the Reserve Bank of India.

### **11.1.4. Investment Policy**

- 11.1.4.1 The bank should review their investment policy and ensure that it provides for the nature and extent of investments intended to be made in Non-SLR instruments now permitted, the risk parameters and cut-loss limits for holding / divesting the investments. The banks should put in place proper risk management systems for capturing and analyzing the risk in respect of Non-SLR investments and taking remedial measures in time.



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### **11.1.4. Review**

The Board should review the following aspects of Non-SLR investment at least at half-yearly intervals:

- (a) Total business (investment and divestment) during the reporting period.
- (b) Compliance with prudential limits prescribed for Non-SLR investment.
- (c) Compliance with the prudential guidelines issued by Reserve Bank on Non-SLR securities.
- (d) Rating migration of the issuers/issues held in the bank's books and consequent diminution in the portfolio quality.
- (e) Extent of non-performing investments in the Non-SLR category and sufficient provision thereof.

### **11.1.6. Disclosure**

The bank should disclose the details of the issuer-wise composition of Non-SLR investments and the non-performing investments in the 'Notes on Accounts' of the balance sheet.

### **11.2 Placement of deposits with other banks by UCBs**

Exposure ceiling for Prudential Inter Bank Exposure Limit and Prudential Inter Bank Counter Party Limit fixed by the Board of Directors for the year 2024 - 2025 prepared *on the basis of Tier I as on 31<sup>st</sup> March, 2025* which is as under :

Capital Component	Amount (₹ in lakh) as on 31.3.2025
Share Capital (Reg + Assoc.)	269.07
Statutory Reserves	358.93
Other Reserves (Building Fund, BDDR Reserves (Sec 36(i)(viii)))	303.61
Surplus in P&L	36.06
<b>Total Tier I Capital</b>	<b>967.68</b>

Type	Limit
Individual Borrower	15% of Tier I Capital → ₹145.05 lakh
Group Exposure	25% of Tier I Capital → ₹241.75 lakh



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### **11.2.1 Prudential inter-bank (gross) exposure limit**

The total amount of deposits placed by the bank with other banks (inter-bank) for all purposes including call money/notice money, and deposits, if any, placed for availing clearing facility, CSGL facility, currency chest facility, remittance facility and non-fund based facilities like Bank Guarantee, Letter of Credit, etc. shall not exceed 20 per cent of its total deposit liabilities as on March 31 of the previous year as per Prudential Inter Bank Exposure Limit and Prudential Inter Bank Counter Party Limit fixed by the Board from time to time. The balances held in deposit accounts with commercial banks and in permitted scheduled UCBS and investments in Certificate of Deposits issued by commercial banks, being inter bank exposures, will be included in this 20 per cent limit.

### **11.2.2 Prudential inter-bank counterparty limit**

Within the prudential inter-bank (gross) exposure limit, deposits with any single bank should not exceed 5 per cent of the depositing bank's total deposit liabilities as on March 31 of the previous year as per Prudential Inter Bank Exposure Limit and Prudential Inter Bank Counter Party Limit fixed by the Board from time to time.

## **12 INTERNAL CONTROL AND INVESTMENT ACCOUNTING**

### **12.1 Internal Control**

- 12.1.1** For every transaction entered into, a deal slip should be prepared which should contain details relating to name of the counter-party, whether it is direct deal or through a broker, and if through a broker, details of security, amount, price, contract date and time. For each deal, there must be a system of issue of confirmation to the counterparty.
- 12.1.2** The Deal Slips should be serially numbered and controlled separately to ensure that each deal slip has been properly accounted for.
- 12.1.3** On the basis of vouchers passed after verification of actual contract notes received from the broker/counter-party and confirmation of the deal by the counter-party the bank should independently write the books of accounts.
- 12.1.4** A record of broker-wise details of deals put through and brokerage paid should be maintained.



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**12.1.5** The Internal Audit Department should audit the transactions in securities on an ongoing basis and monitor compliance with the laid down management policies and prescribed procedures and report the deficiencies directly to the management of the bank.

### **12.2 Investment Accounting**

**11.2.1** Accounting Standards In order to bring about uniform accounting practice among banks in booking of income on units of mutual funds (debt mutual funds and money market mutual fund) and equity of AIFIs, as a prudent practice, such income should be booked on cash basis and not on accrual basis. However, in respect of income from Government Securities/bonds of public sector undertakings and AIFIs, where interest rates on the instruments are predetermined, income may be booked on accrual basis, provided interest is serviced regularly and is not in arrears.

#### **12.2.2 Broken Period Interest-Government and Other Approved Securities**

**12.2.2.1** With a view to bringing about uniformity in the accounting treatment of broken period interest on Government Securities paid at the time of acquisition and to comply with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, the banks should not capitalise the broken period interest paid to seller as part of cost, but treat it as an item of expenditure under Profit & Loss Account.

**12.2.2.2** The above accounting treatment does not take into account taxation implications and hence the bank should comply with the requirements of income tax authorities in the manner prescribed by them.

**12.2.2.3** Accounting Procedure for investments in Government Securities – Settlement Date Accounting With a view to bringing in uniformity in the practice adopted by bank while accounting for investments in Government Securities, it has been decided that banks should follow "Settlement Date" accounting for recording both outright and ready forward purchase and sale transactions in Government Securities.

### **13. Concurrent Audit**

**13.1** In view of the possibility of abuse, treasury functions viz. investments, funds management including inter-bank borrowings, bills rediscounting, etc. should be subjected to concurrent audit and the results of audit should



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be placed before the Chairman and Managing Director of the bank at prescribed intervals.

13.2 It is the primary responsibility of the bank to ensure that there are adequate audit procedures for ensuring proper compliance of the instructions in regard to the conduct of investment portfolio.

13.3 The concurrent audit should cover the following aspects:

- (i) Ensure that in respect of purchase and sale of securities the concerned department has acted within its delegated powers.
- (ii) Ensure that the securities other than those in SGL and in de-mat form, as shown in the books, are physically held.
- (iii) Ensure that the Accounting Unit is complying with the guidelines regarding BRs, SGL/CSGL forms, delivery of scrips, documentation and accounting.
- (iv) Ensure that the sale or purchase transactions are done at rates beneficial to the bank.
- (i) Scrutinize conformity with broker limits and include excesses observed in their periodical reports.

### **14. Internal Audit**

14.1 Purchase and sale of Government Securities etc. should be separately subjected to audit by internal auditors (and in the absence of internal auditors by Chartered Accountants out of the panel maintained by the Registrar of Co-operative Societies) and the results of their audit should be placed before the Board of Directors once in every quarter.

### **14.2 Review**

Bank should undertake a half-yearly review (as of March 31 and September 30) of their investment portfolio, which should, apart from other operational aspects of investment portfolio, clearly indicate and certify adherence to the laid down internal investment policy and procedures and Reserve Bank's guidelines, and put up the same before the Board within a month. Such review reports should be forwarded to Regional Office of Department of Cooperative Banks Supervision by May 15 / November 15 respectively.

### **15. Categorisation of Investments**

15.1 Bank is required to classify their entire investment portfolio (including SLR and Non-SLR securities) under three categories viz. –

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



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Bank should decide the category of the investment at the time of acquisition and the decision should be recorded on the investment proposals. However, 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. However, 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.

### **15.2 Held to Maturity**

15.2.1 Securities acquired by the banks with the intention to hold them up to maturity will be classified under HTM category.

15.2.2 The investments included under HTM category should not exceed 25 per cent of the bank's total investments. However, bank is permitted to exceed the limit of 25 per cent of their total investments under HTM category provided,

- (a) the excess comprises only of SLR securities
- (b) the total SLR securities held in the HTM category is not more than 25 percent of their NDTL as on the last Friday of the second preceding fortnight.

15.2.3 Profit on sale of investments in this category should be first taken to the Profit and Loss Account and thereafter be appropriated to the Investment Fluctuation Reserve (IFR). Loss on sale will be recognised in the Profit and Loss Account.

### **15.3 Held for Trading**

15.3.1 Securities acquired by the bank with the intention to trade by taking advantage of the short-term price/interest rate movements will be classified under HFT category.

15.3.2 If bank is not able to sell the security within 90 days due to exceptional circumstances such as tight liquidity conditions, or extreme volatility, or market becoming unidirectional, the security should be shifted to the AFS category, subject to conditions stipulated in paragraphs 15.5.3 and 15.5.4 below.

### **15.4 Available for Sale**

15.4.1 Securities which do not fall within the above two categories will be classified under AFS category.



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15.4.2 Bank have the freedom to decide on the extent of holdings under AFS category. This may be decided by them considering various aspects such as basis of intent, trading strategies, risk management capabilities, tax planning, manpower skills, capital position, etc. (Profit or loss on sale of investments in HFT & AFS categories should be taken to Profit and Loss Account).

### **15.5 Shifting of investments**

15.5.1 Bank may shift investments to/from HTM category with the approval of the Board of Directors once in a year. Such shifting will normally be allowed at the beginning of the accounting year. No further shifting to/from this category will be allowed during the remaining part of that accounting year.

15.5.2 Bank may shift investments from AFS category to HFT category with the approval of their Board of Directors. In case of exigencies, such shifting may be done with the approval of the Chief Executive of the Bank, but should be ratified by the Board of Directors.

15.5.3 Shifting of investments from HFT category to AFS category is generally not allowed. However, it will be permitted only under exceptional circumstances such as mentioned in paragraph 15.3.2 above, subject to depreciation, if any, applicable on the date of transfer, with the approval of the Board of Directors/Investment Committee.

15.5.4 Transfer of scrips from one category to another, under all circumstances, should be done at the acquisition cost/book value/market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer should be fully provided for.

### **Classification of Investments in the Balance Sheet**

15.6 For the purpose of Balance Sheet, the investments should continue to be classified in the following categories :

- (i) Government securities
- (ii) Other approved securities
- (iii) Shares
- (iv) Bonds of PSU
- (v) Others



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### **16 Valuation of investments**

#### **16.1 Valuation Standards**

- 16.1.1 Investments classified under HTM category need not be marked to market and will be carried at acquisition cost unless it is more than the face value, in which case the premium should be amortized over the period remaining to maturity.
- 16.1.2 The individual scrip in the AFS category will be marked to market at the year-end or at more frequent intervals. The book value of the individual securities would not undergo any change after the revaluation.
- 16.1.3 The individual scrip in the HFT category will be marked to market at monthly or at more frequent intervals. The book value of individual securities in this category would not undergo any change after marking to market.

Note: Securities under AFS and HFT categories shall be valued scrip-wise and depreciation/appreciation shall be aggregated for each classification as indicated at paragraph 14.6 above separately for AFS and HFT. Net depreciation, if any, shall be provided for. Net appreciation, if any, should be ignored. Net depreciation required to be provided for in any one classification should not be reduced on account of net appreciation in any other classification. Similarly net depreciation for any classification in one category should not be reduced from appreciation in similar classification in another category.

- 16.1.4 (i) Investment Depreciation Reserve required to be created on account of depreciation in the value of investments held under 'AFS' or 'HFT' categories in any year should be debited to the Profit & Loss Account and an equivalent amount (net of tax benefit, if any, and net of consequent reduction in the transfer to Statutory Reserve) or the balance available in the IFR Account, whichever is less, shall be transferred from the IFR Account to Profit & Loss Account.
- (ii) In the event that IDR created on account of depreciation in investments is found to be in excess of the required amount in any year, the excess should be credited to the Profit & Loss Account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision) should be appropriated to the IFR Account to be utilised to meet future depreciation requirement for investments.
- (iii) The amounts debited to the Profit & Loss Account for depreciation provision and the amount credited to the Profit & Loss Account for reversal of excess provision should be debited and credited respectively under the head "Expenditure - Provisions & Contingencies".



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(iv) The amounts appropriated from the Profit & Loss Account/ to IFR and the amount transferred from the IFR to the Profit & Loss Account should be shown as 'below the line' items after determining the profit for the year.

16.1.5 It is clarified that while the individual scrips in the HFT category will continue to be marked at monthly or at more frequent intervals, the book value of the individual securities in this category would not undergo any change after marking to market. While the net depreciation in the value of investments, if any, shall be provided for; the net appreciation, if any, should be ignored. Net depreciation required to be provided for in any one category should not be netted with net appreciation in any other category.

16.1.6 In respect of securities included in any of the three categories where interest/principal is in arrears, the bank should not reckon income on the securities and should also make appropriate provisions for the depreciation in the value of the investment. The bank should not set-off the depreciation requirement in respect of these non-performing securities against the appreciation in respect of other performing securities.

### **16.2 Market Value**

#### **Quoted Securities**

16.2.1 The 'market value' for the purpose of periodical valuation of investments included in the AFS and the HFT categories would be the market price of the scrips available from the trades/quotes on the stock exchanges, SGL account transactions, price list of Reserve Bank, prices declared by FBIL (Financial Benchmarks India Pvt. Ltd.).

### **17. INVESTMENT FLUCTUATION RESERVE(IFR)**

With a view to build up adequate reserves to guard against market risks:

17.1 Bank should build up IFR out of realised gains on sale of investments, and subject to available net profit, of a minimum of 5 per cent of the investment portfolio. This minimum requirement should be computed with reference to investments in two categories, viz. HFT and AFS. It will not be necessary to include investment under HTM category for the purpose. However, banks are free to build up a higher percentage of IFR up to 10 per cent of the portfolio depending on the size and composition of their portfolio, with the approval of their Board of Directors.

17.2 Bank should transfer maximum amount of the gains realised on sale of investment in securities to the IFR. Transfer to IFR shall be as an appropriation of net profit after appropriation to Statutory Reserve.



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17.3 The IFR, consisting of realised gains from the sale of investments from the two categories, viz., HTF and AFS, would be eligible for inclusion in Tier II capital.

17.4 Transfer from IFR to the Profit and Loss Account to meet depreciation requirement on investments would be a 'below the line' extraordinary item.

17.5 Bank should ensure that the unrealised gains on valuation of the investment portfolio are not taken to the Income Account or to the IFR.

17.6 Bank may utilise the amount held in IFR to meet, in future, the depreciation requirement on investment in securities.

17.7 Creation of IFR as per the above guidelines is mandatory for UCBs having aggregate Demand and Time Liabilities of Rs. 100 crore and above, and optional for smaller banks.

**17.8 Distinction between IFR and Investment Depreciation Reserve (IDR)**

It may be noted that IFR is created out of appropriation from the realized net profits and forms part of the reserves of the bank qualifying under Tier II capital.

IDR is a provision created by charging diminution in investment value to Profit and Loss Account. While the amount held in IFR should be shown in the balance sheet as such, the amount held in IDR should be reported as Contingent provisions against depreciation in investment.

**18. Modifications/Additions in Policy.**

Any modification/addition in the Investment Policy will be taken up and reviewed to effect and incorporate changes, arising as a result of changes in monetary/fiscal & regulatory policy of the Government of India, Reserve Bank of India & Registrar of Co-operative Societies from time to time.

**19. Conclusion.**

This policy will be taken up for review as and when there are major changes in the environment arising out of changes in the monetary policy of Reserve Bank of India, fiscal policy of Government of India and changes in the nature and types of instruments and players in the financial market. However, in the absence of any such major changes in the economic and banking scenario, this policy will continue to be in force. The changes made by the RBI and Government of India must be complied with. The Policy should be revised/rectified/ amended thereafter. Investment policy is a dynamic concept.



**The Mahaveer Co-op. Bank Ltd.,**  
1157, Shree Renuka Towers Anantshayan Galli, Belagavi-590002  
Phone: 0831-4212236, 2407120/2407121, Mobile: 6364841018

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which has to keep pace with the market changes. Keeping this in mind, this policy has been framed and shall be valid till it is revised.

**The Mahaveer Co-operative Bank Ltd., Belagavi**

Sd/-

Chief Executive Officer/Vice-Chairman/Chairman