

CUTTACK CENTRAL COOPERATIVE BANK LTD.

Head Office: Nimchouri, Cuttack-753002

(As approved by the Managing Committee of the Bank on Dt.30.06.2010)

INVESTMENT POLICY

In pursuance of the latest directives and guidelines issued by Reserve Bank of India and National Bank for Agriculture and Rural Development, the Investment Policy of the Bank is framed as follows, which will be in force with immediate effect.

1.Objective

Keeping in view in provisions of the Banking Regulation Act 1949(AACS) and the guidelines of Reserve Bank of India and NABARD and provisions of Orissa Coop. Societies Act, 1962, the investment policy of the Bank aims at management of cash/funds inflow and outflow on general Banking business and deployment or surplus funds in profitable avenues with the objective of maximization of profit.

2.Modalities

The following modalities shall be adopted for management of funds and for taking investment decisions.

2.1 Cash flow analysis and investment decisions.

- a)The daily position of cash shall be analyzed by the Manager Accounts Section keeping in view the statutory provision and other requirements and brought to the notice of the competent authorities for decision, if necessary.
- b)Receipt of interest and principal on investment in Govt. and other Trustee securities held in CSGL/SGL/Demat accounts on the due dates shall be analyzed on a day to day basis.
- c)Receipt of interest on Inter Bank deposits.
- d)Utilisation of excess cash available in different branches
- f)cash inflow & outflow depending upon release of refinance etc. repayment of borrowings and release of finance to affiliated PACS and others.
- g)Borrowing of funds from counter-party Banks and primary Dealers through approved instruments including transactions.
- h)Utilisation of average daily surplus on account of CRR requirement arising within the fortnight as per RBI stipulations.
- i)Funds available from Govt etc for various purposes.
- j)Reconciliation of relevant transactions/accounts.

3.Permissible Investment

The Bank shall go for investment in the following categories.

- a)Government of India dated securities
- b)State Govt. securities
- c)Govt of India Treasury Bills
- d)Bonds and securities of Financial Institutions and PSUs approved U/S 20 of the Indian Trust Act 1882.




Secretary
Cuttack Central Co-operative Bank Ltd
Cuttack

- e) Certificate of deposits
- f) Approved Debentures and Bonds
- g) Inter Bank deposits
- h) Call Notice Money investments
- i) Repurchase Agreement (REPO)

4.Exposure Limit

1.Following exposure limits are fixed against each type of investment.

Particulars	Limits
a)Govt of India dated securities	60% of the total deposit & own fund of the Bank.
b)State Govt. securities	
c)Govt. of India Treasury Bills	
d)PSU Bond	5% of total deposit
e)Trustee secu.	5% of total deposit
f)Inter Bank deposit	To be fixed by the Investment Committee from time to time.
g)Call money (Borrowing & lending)	No exposure limit

2.For any particular Govt. security maximum exposure shall be limited to Rs.100.00 crores.

3.Total daily transaction (sale and purchase) shall not exceed Rs.50.00 crores.

4.Trading exposure shall be limited to Rs.10.00 crores by Dealer per day.

5.Any deal beyond Rs.5.00 crore shall be decided by the Chief Dealer upto a maximum amount of Rs.25.00 crore.

6.Beyond Rs.25.00 crore any deal shall be approved by the Competent Authority.

7.In case of any odd lot deal the Dealer is to take prior approval of the Chief Dealer.

5.Stop Loss

The maximum permissible loss due to sale of any particular security by a Dealer shall be limited to Rs.1=00 (Rupees one only) per Rs.100/- in order to limit the loss on any transaction. In exceptional cases if it is considered advantageous to hold any security even though the stop loss limit is breached taking into account the yield and marketability, approval of the Managing Director shall be obtained.


6.SGL Procedure

All investments in Govt. securities shall be strictly dealt through CSGIL account with ICICI Bank. Investment in securities other than Govt. securities shall be made through demat account maintained with stock holding Corporation of India.

7.Dealing with Counter Party

All purchase/sale of securities shall be dealt through Primary Dealers/Banks. Negotiation of the price shall be based on the indicative rates available through reliable sources including information from various primary dealers and Banks. Before finalizing the settlement, rates shall be obtained over phone/written quotations wherever available. In case of quotes obtained over telephone, the




 Secretary 2
 Cuttack Central Co-operative Bank Ltd
 Cuttack

dealer shall record the same in a register to be maintained for the purpose. After receipt of the quotes, the officer in charge of the mid-office shall examine the marketability, period and yield to maturity(YTM) etc of the specific securities for taking and instant decision. There shall not be any transaction (sale or purchase) outside the CSGL/Demat account. On confirmation of the deal, letter of confirmation shall be obtained over FAX from counter party for reconfirmation.

8. Classification of securities

All the securities shall be classified as under.

1. Head of maturity (HTM)
2. Available for sale (AFS)
3. Held for trading (HFT)
4. However in the balance sheet the investment will continue as per the existing 6 classification i.e.
 - a) Govt securities
 - b) Other approved securities
 - c) shares
 - d) Debentures and Bonus
 - e) Subsidiaries / joint ventures
 - f) others (commercial paper, mutual fund units etc)

The Bank from time to time with the prior approval of the Managing Committee will segregate the securities taking into account the requirement of SLR, which will be kept under HTM category taking into account the directives and guidelines issued by Reserve Bank of India and NABARD. In no case, the said securities will be transferred from **Held to Maturity (HTM) to Available for sale (AFS) or Held for Trading (HFT)** within the financial year once the approval is accorded by the Board. When change of securities is effected from one category to another required transactions are to be entered into the books of accounts. Again, securities which are not traded under Held for Trading category within 90 days shall be transferred from Held for Trading(HFT) to Available for sale(AFS). Similarly any securities kept under AFS beyond 90 days may be transferred from AFS to HFT taking into consideration the marketability of the securities with the approval of the investment committee. This shall be reviewed by the Managing Committee at least once in a half year. The securities under the AFS category shall be marked to market as per the guidelines of Reserve Bank of India/NABARD from time to time.

9. Accounting

a) On purchase of securities on payment of premium the face value alongwith premium shall be charged to the Investment in Central Govt/ State Govt. securities Account(CSGL) & premium). Interest paid on such investment, accrued from the date of last payment shall be paid from the "Interest Received on Investment Account". On sale of the security, the value shall be credited to the Investment in Central Govt/ State Govt. Securities Account (CSGL/ & premium). The capital gains if any, on trading shall be credited to the profit on sale of securities account. Interest received on sale of securities will be taken to the "Interest received on investment account" Capital loss on sale of securities will be charged to the "Loss on sale of securities account".



3

Secretary
Cuttack Central Co-operative Bank Ltd
Cuttack

b) On purchase of securities on discount, the face value shall be debited to the Investment in central Govt/ State Govt. securities Account (CSGL & premium) and the amount of discount received shall be securities account (CSGL & premium) while on sale, Investment premium account shall be credited to the extent of discounted value paid at the time of purchase and balance amount shall go to the "Profit on sale of securities".

c) Held to Maturity (HTM)

The securities acquired by the Banks with the intention to hold them upto maturity shall be classified under Held to Maturity. The investments included under Held to maturity should not exceed 25% of the Bank's total investment. The Banks may include at their total investment. The following investments will be classified under Held to Maturity but will not be counted for the purpose of ceiling of 25% specified for the category.

i) Re-capitalisation bonds received from the Govt. of India/ State Govt. towards Recapitalisation requirements and held in their investment portfolio. This will not include recapitalisation bonds of other banks acquired for investment purposes.

ii) The investments in debentures/bonds which are deemed to be in the nature of an advance.

iii) Profit on sale of investments in this category should be first taken to the Profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognized in the profit and loss account.

d) Available for sale (AFS)

The individual scrips in the Available for sale category will be marked to market at once in a year. While the net depreciation shall be recognized and fully provided for and the net appreciation under this shall be recognized. The book value of the individual securities shall not undergo any change after the revaluation.

(Note- Securities under this category shall be valued scrip wise and depreciation/ appreciation shall be aggregated).

e) Held for Trading (HFT)

Individual scrips in the Held for Trading category will be marked to market at quarterly or at more frequent intervals. The book value of the individual securities in this category shall not undergo any change after marking to market.

f) The Bank shall decide on the extent of holdings under Available for sale and Held for Trading categories after considering various aspects such as basis of intent, trading strategies, risk management capabilities, task planning, man power skills and available funds.

g) The investment classified under Held for Trading category would be those from which the Bank expects to make a gain by the movement in the interest rates/ market rates. Each securities shall be ordinarily sold within 90 days.

h) Profit or loss on sale of investments in both the categories i.e. HFT and AFS will be taken to the Profit and Loss Account.

i) The Banks may shift investments to/from to Held to Maturity category with the approval of the Managing Committee once a year ordinarily at the beginning of




Secretary 4
Cuttack Central Co-operative Bank Ltd
Cuttack

the accounting year. No further shifting to/from this category will be considered during the remaining part of any accounting year.

j)The Banks may consider shifting of investment from Available for sale category to Held for Trading category with the approval of the Investment Committee.

K)Transfer of scrips from one category to another, under all circumstances, shall be considered 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 shall be fully, provided for.

l)The provisions required to be created on account of depreciation in the Available for sale category in any year shall be debited to the Profit and loss account and an equivalent amount (net to tax benefit), if any and net of consequent reduction in the transfer to statutory Reserve) or the balance available in the Investment Depreciation Reserve Fund Account, whichever is less, shall be transferred from the investment Depreciation Reserve Fund Account to the profit and Loss account. In the event provisions created on account of depreciation in the Available for sale category are found to be in excess of the required amount in any year, the excess shall be credited to the profit and loss account and an equivalent amount (net of taxes, if any, and net of transfer to statutory reserve as applicable to such excess provision) shall be appropriated to the Investment Depreciation Reserve Fund Account to be utilized to meet future depreciation requirement for provision and the amount credited to the profit and loss account for reversal of excess provision shall be debited and credited respectively under the head "Expenditure provisions and contingencies".The amounts appropriated from the Profit and loss account and the amount transferred from the investment depreciation reserve fund to the profit & loss account shall be shown as Below the line items after determining the profit for the year.

m)Investment Depreciation Reserve Fund

i)With a view to building up of adequate reserves to guard against any possible reversal of interest rate environment in future due to unexpected developments, an investment Depreciation Reserve Fund (IDRF) shall be created to the extent of minimum 5% of the investment portfolio within a period of 5 years, IDRF shall be computed with reference to investments in two categories viz: Held for Trading and Available for sale.

ii)Bank shall transfer maximum amount of the gains realized on sale of investment in securities to the IDRF.

iii)The IDRF consisting of realized gains from sale of investments from the two categories viz: Held for Trading and Available for sale would be eligible for inclusion in the own fund of the Bank.

iv)Transfer to IDRF shall be as an appropriation of net profit below the line after appropriation to statutory reserve.

n)In case the Bank opens CSDL accounts of different constituent Banks, there will be "Off Balance Sheet Items" in the G.L. head as follows.




Secretary
Cuttack Central Co-operative Bank Ltd
Cuttack

For CSGL Transaction

- 1.CSGL for constituent Banks with subsidiaries Liabilities.
- 2.CSGL with RBI for constituent Banks with subsidiaries Assets.

For SGL Transaction

- 1.SGL with RBI- liabilities & assets
- 2.Demat account with SHCL – liabilities & Assets.

Interest received on behalf of constituent Banks will be paid to the current accounts of concerned Banks. A certificate regarding securities position is to be issued to the constituent Banks fortnightly.

In case of purchase and sale of securities by the constituent Banks, entries in their CSGL accounts with Bank along with their Designated Fund Account will be effected based on their deal settlement. For all transactions in Govt. securities one Designated Fund account shall be opened by the constituent Banks.

10.Record and Registers

The following registers/ records are to be maintained for recording the investment transaction.

- i)Deal settlement Receipt
- ii)Counter parts confirmation
- iii)SGL/CSGL confirmation for deal
- iv)Banker's confirmation
- v)SGL/CSGL balance certificate
- vi)Deal settlement Register
- vii)Security Register
- viii)Purchase / sale Register
- ix)Gain/Loss Register
- x)Stop Loss Register
- xi)Investment Committee Minute Book

11.Exceptions

An exceptional transaction beyond the policy shall be made with the prior approval of the Chief Executive Officer of the Bank.

12.Risk Management

The Investment Policy has taken into consideration of the risk associated with trading and there is in-built system of creating Reserve as per Reserve Bank of India/ NABARD guidelines.

13.Investment Committee/ ALCO

The Investment Committee shall look after the function of the Asset Liability Committee (ALCO) after applicable of ALM concept to the Bank.




Secretary
Cuttack Central Co-operative Bank Ltd.
Cuttack

14. Report and Return

A daily report shall be presented to the Chief Dealer. The monthly report shall be generated and presented to the Investment Committee while the quarterly report shall be submitted to RBI.

15. Investment Committee

An Investment Committee comprising the following Officers of the Bank shall be framed for taking decision for investment or surplus fund towards purchase of securities.

- | | |
|--------------------------|-------------------|
| i) CEO-Secretary | -Chairman |
| ii) Manager(Dev & Plan) | -Member |
| iii) Manager(Loan & Sup) | -Member |
| iv) Manager(A & E) | -Member |
| v) Manager(A & O) | -Member Convenor. |


The Investment Committee shall meet at least once every month

16. Audit Control

The Internal Audit of accounts of the investment related transaction shall be entrusted to the Concurrent Auditors of the Bank. He will be responsible for checking the books of accounts as per the approved rules, guidelines of RBI/NABARD and adherence to the Investment Policy in the day to day functioning of the TMC. A quarterly Audit Report shall be submitted to the Secretary. In turn, the Audit Report alongwith the compliance, if any shall be placed before the Committee of Management at half yearly intervals for onward transmission to RBI/NABARD by 15th May and 1st November.

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX




Secretary
Cuttack Central Co-operative Bank Ltd.
Cuttack