



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2021-22/100
DOR.MRG.REC.50/21.04.141/2021-22

September 20, 2021

All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

Master Circular on Investments by Primary (Urban) Co-operative Banks

Please refer to our [Master Circular DCBR.BPD\(PCB\).MC.No.4/16.20.000/2015-16 dated July 1, 2015](#) on the captioned subject. The enclosed Master Circular consolidates and updates all the instructions/guidelines on the subject issued as on date.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

INDEX

Para No.	Subject	Page No.
1	Restrictions on Holding Shares in Other Co-operative Societies	3
2	Statutory (SLR) Investments	4
3	Investment Policy	4
4	General Guidelines	5
5	Transactions through SGL Accounts	10
6	Engagement of brokers	13
7	Settlement of Government Securities Transactions through CCIL	15
8	Trading of Government Securities on Stock Exchanges	16
9	Repo/Reverse Repo Transactions	18
10	Short Sale in Government Securities	19
11	When Issued in Government Securities	19
12	Non- SLR Investments	20
13	Internal Control and Investment Accounting	25
14	Recommendations of Ghosh Committee	26
15	Categorisation of Investments	28
16	Valuation of Investments	30
17	Investment Fluctuation Reserve (IFR)	34
Annex		
I	Certain clarifications regarding brokers' limits	36
II	Definitions of certain terms	38
III	Guidelines for accounting of Repo/Reverse Repo transactions	39
III(a)	Recommended accounting methodology for Repo/Reverse Repo Transactions	42
III(b)	Illustrative examples for accounting Repo/Reverse Repo transactions	44
IV	Guidelines on Sale of Financial Assets to ARC	51
Appendix		
A	List of circulars consolidated in the Master Circular on Investments by primary urban co-operative banks	56
B	List of other circulars from which instructions relating to investments have been consolidated in the Master Circular	64

**MASTER CIRCULAR ON INVESTMENTS
BY PRIMARY (URBAN) CO-OPERATIVE BANKS**

1. RESTRICTIONS ON HOLDING SHARES IN OTHER CO-OPERATIVE SOCIETIES

1.1 Section 19 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) (BR 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 (Reserve Bank) may specify in that behalf. However, nothing contained in the section applies to -

- 1.1.1 shares acquired through funds provided by the State Government for that purpose;
- 1.1.2 in the case of a central co-operative bank, the holding of shares in the state co-operative bank to which it is affiliated; and
- 1.1.3 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.

1.2 In pursuance of the powers conferred by Section 19 read with Section 56 of the said Act, the Reserve Bank has specified that the extent and conditions subject to which co-operative banks may hold shares in any other co-operative society shall be as follows:

- 1.2.1 The total investments of a co-operative bank in the shares of co-operative institutions, other than those falling under any of the categories stated at paragraphs 1.1.1 to 1.1.3 above, shall not exceed 2 per cent of its owned funds (paid-up share capital and reserves).
- 1.2.2 The investment of a bank in the shares of any one co-operative institution coming under paragraph 1.2.1 above shall not exceed 5 per cent of the subscribed capital of that institution.

Note: When more than one co-operative bank contributes to the shares in a co-operative society falling under paragraph 1.2.1, the limit of 5 per cent of the subscribed capital indicated above shall apply not in respect of the investment of each of the banks but in respect of the investment of all the banks taken together. In other words, the total investment of all the co-operative banks should be limited to 5 per cent of the subscribed capital of the enterprise concerned.

A co-operative bank should offer to make its contribution to the shares of a co-operative society coming under paragraph 1.2.1 above only if the bye-laws of the recipient society provide for the retirement of share capital contributed by it.

- 1.2.3 The retirement of the share capital contributed by a bank to the shares of any society coming under paragraph 1.2.1 above should be completed in 10 equal annual installments commencing from the co-operative year immediately following the year in which the concern commences business or production.
- 1.2.4 A co-operative bank should not, except with the permission of the Reserve Bank, contribute to the share capital of a society coming under category referred to in paragraph 1.2.1 above, if it is situated outside its area of operation.
- 1.2.5 The above restrictions will not apply to holdings by co-operative banks of shares in non-profit making co-operative societies such as those formed for the protection of mutual interests, (e.g., co-operative banks' association) or for the promotion of co-operative education etc., (e.g., state co-operative union), or housing co-operatives for the purpose of acquiring premises on ownership basis, etc.

2 STATUTORY (SLR) INVESTMENTS

2.1 Maintenance of Statutory Liquidity Ratio (SLR) for UCBs

Banks shall refer to the Master Direction-Reserve Bank of India [Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)] Directions, 2021 on the maintenance of SLR.

3 INVESTMENT POLICY

3.1 Keeping in view the various regulatory/statutory guidelines and the bank's own internal requirements, UCBs should lay down, with the approval of their Board of Directors, the broad Investment Policy and objectives to be achieved while undertaking investment transactions. The Investment Policy should be reviewed each year. The Board/Committee/Top Management should actively oversee investment transactions. Banks should not undertake any transactions on behalf of Portfolio Management Scheme (PMS) clients in their fiduciary capacity, and on behalf of other clients, either as custodians of their investments or purely as their agents.

3.2 The bank's Investment Policy should clearly indicate the authority to put through investment deals, the procedure to be followed for obtaining sanction of the appropriate authority for putting through deals, fixing various prudential exposure limits, and reporting system.

3.3 The Investment Policy of the bank should include guidelines on the quantity (ceiling) and quality of each type of security to be held on its own investment account. It should be prepared strictly observing the instructions issued by the Registrar of Co-operative Societies (Central Registrar of Co-operative Societies, where applicable) and the Reserve Bank from time to time and clearly spell out the internal control mechanism, accounting standards, audit, review and reporting system to be evolved.

3.4 All the transactions should be clearly recorded indicating full details. The Top Management should undertake a periodic review of investment transactions in a critical manner and put up details of large transactions to the Board, for information.

3.5 A copy of the internal Investment Policy guidelines framed by the bank with the approval of its Board should be forwarded to the concerned Regional Office of Department of Supervision, Reserve Bank, certifying that the policy is in accordance with the prescribed guidelines and the same has been put in place. Subsequent changes, if any, in the Investment Policy should also be advised to the Regional Office of the Reserve Bank.

3.6 For investment in non-SLR instruments, banks should review their Investment Policy and ensure that it provides for the nature and extent of investments intended to be made, 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. Banks should also be guided by instructions given in paragraph 12 of this Master Circular.

4 GENERAL GUIDELINES

4.1 UCBs should not undertake any purchase/sale transactions with broking firms or other intermediaries on principal-to-principal basis.

4.2 Banks should not hold an oversold position in any security except for those banks which are eligible to undertake short sale position in Government securities as prescribed in paragraph 10 of this Master Circular. However, scheduled UCBs may sell a Government Security already contracted for purchase, provided:

4.2.1 the purchase contract is confirmed prior to the sale,

4.2.2 the purchase contract is guaranteed by Clearing Corporation of India Ltd. (CCIL) or the security is contracted for purchase from the Reserve Bank and,

4.2.3 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.

4.3 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.

4.4 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/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-OM. 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 concerned Regional Office of Department of Supervision, Reserve Bank of India. Any violation noticed in this regard would attract penalties as currently applicable to the bouncing of SGL even if the deal has been settled because of the netting benefit under DVP III, besides attracting further regulatory action as deemed necessary.

4.5 Banks 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:

4.5.1 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 allotment advice indicating the sale contract number etc., the details of which should be intimated to the buying entity. Any sale of securities should be only on a T+0 or T+1 settlement basis.

4.5.2 The contract for sale of allotted securities can be entered into by banks only with entities maintaining SGL Account with Reserve Bank for delivery and settlement on the next working day through the DVP system.

- 4.5.3 The face value of securities sold should not exceed the face value of securities indicated in the allotment advice.
- 4.5.4 The sale deal should be entered into directly without the involvement of broker/s.
- 4.5.5 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 etc. This record should be made available to Reserve Bank for verification. Banks should immediately report any cases of failure to maintain such records.
- 4.5.6 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 concerned Regional Office of Department of Supervision, RBI.
- 4.5.7 Banks 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 etc.

4.6 While undertaking OTC transactions in Government securities, banks should seek a scheduled commercial bank, a Primary Dealer (PD), a financial institution, another UCB, insurance company, mutual fund or provident fund, as a counterparty for their transactions. Preference should be given to direct deals with such counter parties. It will be desirable to check prices from other banks or PDs with whom the UCB may be maintaining Gilt account. The prices of all trades done in Government Securities, including those traded through NDS-OM, are also available at Reserve Bank's website (www.rbi.org.in).

4.7 Scheduled UCBs may undertake retailing of Government Securities with non-bank clients, such as provident funds, non-banking financial companies, high net worth individuals etc. subject to the following conditions:

- 4.7.1 Banks may freely buy and sell Government Securities on an outright basis at the prevailing market prices without any restriction on the period between sale and purchase.
- 4.7.2 Retailing of Government Securities should be on the basis of ongoing market rates/yield curve emerging out of secondary market transactions.

- 4.7.3 Immediately on sale, the corresponding amount should be deducted by the bank from its investment accounts and also from its SLR assets.
- 4.7.4 These transactions should be looked into by the concurrent/ statutory auditors of the bank.
- 4.7.5 Banks should put in place adequate internal control checks/ mechanisms as advised by the Reserve Bank from time to time.

4.8 Banks may take advantage of the non-competitive bidding facility in the auction of Government of India dated securities, provided by the Reserve Bank. Under this scheme, banks may bid upto ₹2 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 skill is required, as allotment upto ₹2 crore (face value) is made at the weighted average cut-off rate which emerges in the auction. UCBs may also participate directly or through a bank or a PD in the competitive and non-competitive auctions of State Development Loans (SDLs) conducted by the Reserve Bank. Participation in non-competitive auction of SDLs will be as per guidelines prescribed in the Scheme of Non-Competitive Bidding in the Auction of SDLs issued vide [circular IDMD.No.954/08.03.001/2009-10 dated August 24, 2009](#), as amended from time to time. An advertisement in leading newspapers is issued 4-5 days in advance of the date of auction. Half yearly auction calendar of Government of India securities is also issued by the Reserve Bank.

4.9 Gilt Accounts, if opened, should be used for holding the securities and such accounts should be maintained in the same bank with whom the cash account is maintained.

4.10 In case Gilt account is opened with any of the eligible non-banking institutions, the particulars of the designated funds account (with a bank) should be intimated to that institution.

4.11 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.

4.12 Officials deciding about purchase and sale transactions should be separated from those responsible for settlement and accounting.

4.13 All investment transactions should be perused by the Board at least once a month.

4.14 When the bank has been specifically permitted to tender physical SGL transfer forms, it 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.

4.15 All purchase/sale transactions in Government Securities by the banks should necessarily be through SGL/CSGL account (with Reserve Bank) or Gilt account (with a scheduled commercial bank/State co-operative bank/PD/SHCIL) or in a dematerialised account with depositories (NSDL/CDSL).

4.16 No transactions in Government Securities by a UCB should be undertaken in physical form with any broker.

4.17 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 sale transactions.

4.18 The security dealings of banks generally being for large values, it may be necessary to ensure, before concluding the deal, the ability of the counterparty to fulfill the contract, particularly where the counterparty is not a bank.

4.19 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 (<https://dbie.rbi.org.in>) under the link "Database on Indian Economy-Statistics-Financial Market-Government Securities Market."

4.20 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.

4.21 UCBs may seek the guidance of Primary Dealers' Association of India (PDAI)/Fixed Income and Money Market Dealers' Association (FIMMDA) on investment in Government Securities.

Negotiated Dealing System – Order Matching

4.22 All licensed UCBs fulfilling the eligibility criteria contained in [circular IDMD.DOD.No.13/10.25.66/2011-12 dated November 18, 2011](#) as amended from time to time, are allowed direct access to Negotiated Dealing System – Order Matching platform. The eligibility criteria are as under:

- (a) Current account with RBI or a funds account with one of the Designated Settlement Banks (DSBs) chosen by Clearing Corporation of India Limited (CCIL) for funds settlement.
- (b) Subsidiary General Ledger (SGL) Account with RBI.
- (c) Membership of Negotiated Dealing System (NDS).
- (d) Indian Financial Network (INFINET) connectivity.

- (e) Membership of CCIL.
- (f) Minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9 per cent.
- (g) Net Non-Performing Assets (NPA) of less than 5 per cent.
- (h) Minimum net worth of ₹25 crore.

4.23 All eligible UCBs desirous of obtaining NDS-OM membership are required to apply to concerned Regional Office of the Department of Supervision, RBI, for regulatory clearance before applying to Financial Markets Regulation Department (FMRD), RBI for NDS-OM membership.

4.24 Eligible UCBs applying for NDS-OM membership need to have the required infrastructure in place for direct access to NDS-OM and also bear the cost involved in setting up the infrastructure. After opening a SGL account with the RBI (which is one of the several requirements to be fulfilled by a UCB for obtaining NDS-OM membership), the UCB concerned cannot open / maintain a gilt account with a CSGL account holder. However, such UCBs can continue to bid for Government securities under the scheme of non-competitive bidding in Government securities.

5 TRANSACTIONS THROUGH SGL ACCOUNTS

5.1 SGL Account

- 5.1.1 Transfers through SGL accounts by UCBs having SGL facility can be made only if they maintain a regular current account with the Reserve Bank. All transactions in Government Securities for which SGL facility is available, should be put through SGL accounts only.
- 5.1.2 Banks should report / conclude their transactions on NDS / NDS-OM and clear / settle them through CCIL as central counterparty. In such cases where exceptions have been specifically permitted to tender physical SGL transfer forms, the guidelines regarding SGL transfer forms should also be followed.
- 5.1.3 Before issue of SGL transfer forms covering the sale transactions, banks should ensure that they have sufficient balance in the respective SGL accounts. Under no circumstances, an SGL transfer form issued by a bank in favour of another bank should bounce for want of sufficient balance in the SGL account. The purchasing bank should issue the cheques (or make payment by any other eligible mode) only after receipt of the SGL transfer forms from the selling bank.

5.1.4 In the event of bouncing of SGL transfer forms and the failure of the account holder concerned to offer satisfactory explanation for such bouncing, the UCB shall be liable to pay penalties as under:

i. Graded monetary penalties subject to a *maximum penalty of ₹5 lakhs* per instance:

Sl. No	Applicable to	Monetary penalty	<i>Illustration</i> [Penal amount on ₹5 crore default]
1	First three defaults in a financial year (April to March)	0.10 per cent (10 paise per ₹100 FV)	₹50,000/-
2	Next three defaults in the same financial year	0.25 per cent (25 paise per ₹100 FV)	₹1,25,000/-
3	Next three defaults in the same financial year	0.50 per cent (50 paise per ₹100 FV)	₹2,50,000/-

ii. On the tenth default in a financial year, the bank will be debarred from using the SGL A/c for undertaking short sales in Government securities even to the extent permissible under [circular IDMD.No/11.01.01\(B\)/2006-07 dated January 31, 2007](#) as amended from time to time, during the remaining portion of the financial year. In the next financial year, upon being satisfied that the UCB in question has made improvements in its internal control systems, RBI may grant specific approval for undertaking short sales by using the SGL A/c facility.

iii. The monetary penalty may be paid by the UCB concerned by way of a cheque or through electronic mode for the amount favouring the Reserve Bank of India, within five working days of receipt of intimation of order imposing penalty from RBI.

5.1.5 For the purpose of instructions given in paragraph 5.1.3, 'SGL bouncing' shall mean failure of settlement of a Government securities transaction on account of insufficiency of funds in the current account of the buyer or insufficiency of securities in the SGL / CSGL account of the seller, maintained with the Reserve Bank of India.

5.1.6 The defaulting UCB shall make appropriate disclosure, on the number of instances of default as well as the quantum of penalty paid to the Reserve Bank during the financial year, under the "Notes to Account" in its balance sheet.

- 5.1.7 Notwithstanding anything contained in paragraphs 5.1.3 to 5.1.5, the Reserve Bank reserves the right to take any action including temporary or permanent debarment of the SGL account holder, in accordance with the powers conferred under the Government Securities Act, 2006 as it may deem fit, for violation of the terms and conditions of the opening and maintenance of SGL/ CSGL accounts or breach of the operational guidelines issued from time to time.
- 5.1.8 In addition to the above, as NDS Members, UCBs should strictly abide by all other provisions of the NDS (Membership) Regulations, 2002 as amended from time to time.

5.2 **SGL Forms**

- 5.2.1 The SGL transfer forms should be in the standard format prescribed by the Reserve Bank and printed on semi-security paper of uniform size. These should be serially numbered and there should be a control system in place to account for each SGL form.
- 5.2.2 SGL transfer forms should be signed by two authorised officials of the bank whose signatures should be recorded with the respective PDO of Reserve Bank and other banks.
- 5.2.3 The SGL transfer form received by the purchasing bank should be deposited in its SGL account immediately. No sale should be affected by way of return of SGL transfer form held by the bank.
- 5.2.4 Any bouncing of SGL transfer forms issued by selling bank in favour of the buying bank should immediately be brought to the notice of the Reserve Bank by the buying bank.

5.3 **Control, Violation and Penalty Provisions**

- 5.3.1 Record of SGL transfer forms issued/received should be maintained. Balances as per the bank's books in respect of SGL accounts should be reconciled with the balances in the books of PDOs. The PDO concerned will forward a monthly statement of balances of SGL/CSGL account to all account holders. UCBs having SGL/CSGL accounts with PDOs may use these statements for the purpose of monthly reconciliation of their SGL/CSGL balances as per their books and 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 SGL transfer

forms received from other banks and confirmation of authorised signatories should be put in place.

- 5.3.2 Banks should also forward a quarterly certificate to the PDO concerned, indicating that the balances held in the SGL accounts with the PDO have been reconciled and that it has been placed before the Audit Committee of the Board. A copy thereof should be sent to the concerned Regional Office concerned of the Department of Supervision, RBI.
- 5.3.3 Banks should put in place a system to report to the Top Management on a monthly basis the details of transactions in securities, details of SGL bouncing and review of investment transactions undertaken during the period.
- 5.3.4 All promissory notes, debentures, shares, bonds, etc., held in physical form, 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.
- 5.3.5 Certificates should be obtained at quarterly/half-yearly intervals in respect of securities lodged with other institutions. Similarly, it is necessary to reconcile the SGL Account balance with the PDO at monthly intervals.
- 5.3.6 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.
- 5.3.7 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. Such a certificate should be submitted to the concerned Regional Office of Department of Supervision RBI, within 30 days from the end of the relative quarter.

6 ENGAGEMENT OF BROKERS

6.1 Dealing through Brokers

- 6.1.1 The inter-bank securities transactions should be undertaken directly between banks and no bank should engage the services of any broker in such transactions. Banks may, however, undertake securities transactions among themselves or with non-bank clients through members of National Stock Exchange (NSE) / BSE wherein the transactions are transparent. In

case any transactions in securities are not undertaken on NSE/BSE, the same should be undertaken by the banks directly without the use of brokers.

- 6.1.2 Purchase of permissible shares and PSU bonds in the secondary market (other than inter-bank transactions) should be only through recognised stock exchanges and registered stock- brokers.
- 6.1.3 The SBI DFHI has been permitted to operate as a broker in the inter- bank participation market. This would enable the banks to seek intermediation of SBI DFHI for borrowing/lending, if required. However, the banks shall be free to settle transaction in the inter-bank participations market directly, if so desired.
- 6.1.4 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 banks should give power of attorney or any other authorisation to the brokers/ intermediaries to deal on their behalf in the money and securities markets.
- 6.1.5 Disclosure of counter party should be insisted upon on conclusion of the deal put through brokers.
- 6.1.6 Contract confirmation from the counter party should be insisted upon.
- 6.1.7 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.

6.2 **Empanelment of Brokers**

- 6.2.1 The bank should prepare a panel of brokers with the approval of their Board of Directors.
- 6.2.2 Brokers should be empaneled after verifying their credentials e.g.:
 - (a) SEBI registration
 - (b) Membership of BSE/NSE for debt market.
 - (c) Market turnover in the preceding year as certified by the Exchange/s.
 - (d) Market reputation etc.
- 6.2.3 The bank should check websites of SEBI/respective exchanges, to ensure that the broker has not been put in the banned list.

6.3 Broker Limits

- 6.3.1 A disproportionate part of the business should not be transacted through only one or a few brokers. Banks 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.
- 6.3.2 A limit of 5 per cent of total transactions (both purchases and sales) entered into by the banks during a year should be treated as the aggregate upper contract limit for each of the approved brokers.
- 6.3.3 This limit should cover both the business initiated by the bank and the business offered/brought to the bank by a broker.
- 6.3.4 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.

Note: Clarifications on certain issues raised by the banks in this regard are furnished in **Annex I**.

7 SETTLEMENT OF GOVERNMENT SECURITIES TRANSACTIONS – THROUGH CLEARING CORPORATION OF INDIA LTD. (CCIL)

- 7.1 All Government Securities transactions (both Outright and Repo) are being settled through CCIL only.
- 7.2 UCBs, which are not a member of NDS-CCIL system, should undertake their transactions in Government Securities through gilt account/demat account maintained with a NDS member.
- 7.3 All outright secondary market transactions in Government Securities will be settled on T+1 basis. However, in case of repo transactions in Government Securities, the market participants will have the choice of settling the first leg on either T+0 basis or T+1 basis as per their requirement.

8 TRADING OF GOVERNMENT SECURITIES ON STOCK EXCHANGES

8.1 The facility of trading of Government Securities on the stock exchanges, in the dematerialized mode only, is available to banks in addition to the present NDS-OM of the Reserve Bank, which will continue to remain in place.

8.2 The UCBs have the option to undertake transactions in dated Government of India securities in dematerialised form on automated order driven system of NSE and BSE in addition to the existing mode of dealing through SGL/CSGL accounts with Reserve Bank or gilt accounts with the designated entities such as Scheduled Commercial Bank/PD/State Co-operative Bank etc.

8.3 As the trading facility on the above stock exchanges will operate parallel to the present system of trading in Government Securities, the trades concluded on the exchanges will be cleared by their respective clearing corporations/Clearing Houses. However, trading members of the stock exchanges shall not be involved in the settlement process for any regulated entity of Reserve Bank. All stock exchange trades of banks have to be settled either directly with CCIL/Clearing House (in case they are clearing members) or else through a clearing member custodian.

8.4 With a view to facilitating participation on the stock exchanges within the regulations prescribed by Reserve Bank, SEBI and the exchanges, banks are being extended the following facilities:

8.4.1 Opening demat accounts with a bank depository participant (DP) of NSDL/CDSL or with SHCIL in addition to their SGL/CSGL accounts with Reserve Bank/authorised entities.

8.4.2 Value free transfer of securities between SGL/CSGL and demat accounts is being enabled at PDO, Mumbai, subject to operational guidelines issued separately by Internal Debt Management Department to all SGL account holders.

8.5 The balances in Government Securities maintained by the banks in the depositories will be included for SLR purpose. Any shortfall in maintenance of CRR/SLR resulting from settlement failure (on either the NDS-CCIL market or the stock exchanges) will attract the usual penalties.

8.6 The Boards of UCBs may take a conscious decision in regard to using the stock exchange platform for making investments in Government Securities in addition to the existing NDS-CCIL market and the direct bidding facility. As regulations of SEBI will also apply insofar as trading of Government Securities is concerned, the Board should frame and implement a suitable policy to ensure that operations are conducted in accordance with the norms laid down by Reserve Bank/SEBI and the respective stock exchange. Prior to commencing operations, the dealing officials should also familiarize themselves with the basic operating procedures of the stock exchanges.

8.7 Operational Guidelines

- 8.7.1 Banks should put in place appropriate internal control systems catering to stock exchange trading and settlement before commencing operations on the exchanges. The back-office arrangement should be such that trading on the NDS-OM/OTC market and on the stock exchanges can be tracked easily for settlement, reconciliation and management reporting. Banks should, therefore, install enabling IT infrastructure and adequate risk management systems.
- 8.7.2 Only SEBI registered brokers who are authorized by the permitted exchanges (NSE/BSE) to undertake transactions in Government Securities can be used for placing buy/sell orders. A valid contract note indicating the time of execution must be obtained from the broker at end of day.
- 8.7.3 The dealing officials should independently check prices in the market or on the stock exchange screens before placing their orders with the brokers. The decision-making processes cannot be delegated to brokers by the banks.
- 8.7.4 The transactions done through any broker will be subjected to the current guidelines on transactions done through brokers.
- 8.7.5 Brokers/trading members shall not be involved in the settlement process; all trades have to be settled through clearing member custodians. Hence, it will be necessary for UCBs to enter into a bilateral clearing agreement with such service providers beforehand.
- 8.7.6 All transactions must be monitored with a view to ensuring timely receipt of funds and securities. Any delay or failure should be promptly taken up with the exchange/authorities concerned.
- 8.7.7 At the time of trade, securities must be available with the banks either in their SGL or in the demat account with depositories.
- 8.7.8 Any settlement failure on account of non-delivery of securities/non-availability of clear funds will be treated as SGL bouncing and the current penalties in respect of SGL bouncing will be applicable. The stock exchanges will report such failures to the respective PDOs.
- 8.7.9 For the limited purpose of dealing through the screen-based trading system of the stock exchanges the condition that a UCB should seek a scheduled commercial bank, a PD, a financial institution, another UCB, insurance company, mutual fund or provident fund as a counterparty, while undertaking transactions in Government Securities, will not apply.

8.7.10 Banks should report on weekly basis to their Audit Committee of the Board, giving the details of trades on aggregate basis done on the stock exchanges and details of any 'closed-out' transactions on the exchanges.

8.7.11 The banks should take all necessary precautions and strictly adhere to all instructions/guidelines issued by the Reserve Bank relating to transactions in Government Securities as hitherto.

9 REPO/REVERSE REPO TRANSACTIONS

9.1 UCBs may execute repo transactions subject to adherence to instructions given in Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 issued vide [circular FMRD.DIRD.01/14.03.038/2018-19 dated July 24, 2018](#).

9.2 However, only Scheduled UCBs with strong financials and sound risk management practices are eligible to undertake repo transactions in corporate debt securities. Accordingly, scheduled UCBs, fulfilling the following conditions only would be permitted to undertake such transactions.

(a) CRAR of 10 per cent or more and gross NPA of less than 5 per cent and continuous record of profits during the previous three years.

(b) Sound risk management practices and mandatory concurrent audit of the Investment portfolio.

9.3 Further, the Repo transactions in corporate bonds shall be undertaken only with scheduled commercial banks / PDs and not with other market participants. UCBs which are lenders of funds in a repo transaction may provide for Counter-party credit risk corresponding to the risk weight for such exposure as applicable to the loan / investment exposure. UCBs may also ensure that securities acquired under repo along with other non-SLR investment already in the Balance Sheet should be within the stipulated ceiling of non-SLR investment (i.e., 10 per cent of a bank's total deposits as on March 31 of the previous year). The funds borrowed under repo should be within the limit prescribed for call money borrowing (i.e., 2 per cent of the previous year's deposits).

9.4 UCBs can undertake repo transactions only in Government securities held in excess of the prescribed SLR requirements.

9.5 Repos shall be accounted as per guidelines contained in **Annex III** of this Master Circular.

10. SHORT SELLING IN GOVERNMENT SECURITIES

10.1 Well managed UCBs, who are members of NDS-OM and have regular concurrent audit of their treasury operations, are permitted to undertake intra-day short selling of Government Securities. Accordingly, Urban Co-operative Banks, fulfilling the following conditions are required to seek permission from the Regional Offices concerned to undertake such transactions.

- a. NDS-OM Membership.
- b. Net Worth of ₹25 crore, CRAR of 9 per cent or more and net NPA of not more than 3 per cent.
- c. Sound risk management practices and mandatory concurrent audit of their Treasury Operations.

10.2 UCBs are advised to adhere to the instructions/directions as prescribed in Short Sale (Reserve Bank) Directions, 2018 issued vide [FMRD.DIRD.05/14.03.007/2018-19 dated July 25, 2018](#).

11. 'WHEN ISSUED' TRANSACTIONS IN GOVERNMENT SECURITIES

11.1 UCBs shall adhere to the When Issued Transactions (Reserve Bank) Directions, 2018 issued [FMRD.DIRD.03/14.03.007/2018-19 dated July 24, 2018](#) for undertaking "When Issued" (WI) transactions.

11.2 The accounting treatment of transactions undertaken in WI securities would be as follows:

- (a) The 'WI' security should be recorded in books as an off- balance sheet item till issue of the security.
- (b) The off- balance sheet net position in 'WI' market should be marked to market scrip-wise on a daily basis at the day's closing price of the 'WI' security. In case the price of the 'WI' security is not available, the value of the underlying security be used instead. Depreciation, if any, should be provided for and appreciation, if any, should be ignored.
- (c) The off-balance sheet (net) position in 'WI' securities, scrip-wise, would attract a risk weight of 2.5 per cent.
- (d) On delivery, the underlying security may be classified in any of the three categories, viz; 'Held to Maturity', 'Available for Sale' or 'Held for Trading',

depending upon the intent of holding, at the contracted price.

11.3 It is clarified that the securities bought in the 'WI' market would be eligible for SLR purposes, only on delivery.

12. NON - SLR INVESTMENTS

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

12.1.1 Prudential Limit

The Non-SLR investments shall be limited to 10 per cent of a bank's total deposits as on March 31 of the previous year.

12.1.2 Instruments

UCBs 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).

12.1.3 Restrictions

- (a) Investment in perpetual debt instruments is not permitted.
- (b) Investment in unlisted securities shall be subject to a minimum rating prescribed at 12.1.2 (a) above and shall not exceed 10 per cent of the total non-SLR investments at any time. In terms of [UBD.\(PCB\).BPD.Cir.No.14/16.20.000/2007-08 dated September 18, 2007](#), where banks 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 per cent limit specified for unlisted non-SLR securities. In case such investments included under unlisted non-SLR securities lead to a breach of 10 per cent 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 per cent.

- (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, banks are 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 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 13.1.1 above. The banks should, however, review their existing risk management policy to ensure 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) Investments in shares of All India Financial Institutions (AIFIs) are not permitted. In terms of [UBD.\(PCB\).BPD.Cir.No.14/16.20.000/2007-08 dated September 18, 2007](#), the existing share holding in these institutions may be phased out and till such time they are held in the books of the bank, they will be reckoned as non-SLR investments for the purpose of the limit at 12.1.1 above.
- (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.
- (i) All transactions for acquisition / sale of non-SLR investments in secondary market may be undertaken with mutual funds, pension / provident funds and insurance companies, in addition to undertaking transactions with commercial banks and primary dealers, subject to adherence to the instructions contained

in Para 7 of [RBI Master Direction FMRD.DIRD.2/14.01.002/2017-18 dated August 10, 2017](#).

- (j) UCBs investing in shares of Market Infrastructure Companies (MICs), are allowed to exceed the limit for Investments in Non- SLR / unlisted securities prescribed in paragraph 12.1.1 and 12.1.3 (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.

Note: For the definitions of certain items such as rated security, investment grade rating, etc., please see **Annex II**.

12.1.4 **Review of non-SLR investment**

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.

12.1.5 **Disclosure**

The banks shall disclose the details of the issuer-wise composition of non-SLR investments and the non-performing investments, as indicated in Annexure III - C.3(d) of [Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021](#).

12.2 **Bonds/ Debentures received through Asset Reconstruction Companies (ARC)**

- (i) The bonds/ debentures received by the banks as sale consideration towards sale of financial assets to ARCs, will be classified as non-SLR investments in the books of the banks and accordingly the valuation, classification and other norms applicable to non-SLR investments of banks as prescribed by Reserve Bank from time to time, would be applicable to the instruments received by the banks by way of sale consideration from ARC. UCBs are allowed to hold these investments, over and

above the limit of 10 per cent of its deposits as on 31 March of the previous year, for non-SLR securities. UCBs are not permitted to make any direct investment in the security receipts, pass-through certificates, or bonds/ debentures issued by ARC. UCBs registered under the Multi-State Co-operative Societies Act, 2002 are permitted to invest in Security Receipts issued by ARC in respect of financial assets sold by them to the ARC. However, UCBs must ensure that there is no order issued by a Court of competent jurisdiction restricting them from entering into such transactions. A set of guidelines to be followed by Multi-State Co-operative Banks on sale of Financial Assets to ARC has been formulated and furnished in the **Annex IV**. The guidelines may be placed before the bank's Board and appropriate steps taken for their implementation.

- (ii) When a bank sells its financial assets to ARC, on transfer the same would be removed from the books of the bank.
- (iii) If the sale to ARC is at a price below the Net Book Value (NBV) (i.e., book value less the provision held), the shortfall should be written off/ debited to Profit & Loss Account of that year, subject to the provisions of co-operative societies acts/rules/administrative guidelines in regard to write-off of debts.
- (iv) Multi- State Urban Cooperative Banks are permitted to reverse to P& L account the excess provision when the sale is for a value higher than the NBV on sale of NPAs to their profit and loss account. However, banks can reverse excess provision arising out of sale of NPAs only when the cash received (by way of initial consideration and/or redemption of security receipt /pass through certificates) is higher than the NBV of the NPAs sold to ARCs. Further, the quantum of excess provision reversed to profit and loss account will be limited to the extent of which cash exceeds the NBV of the NPAs sold. The quantum of excess provision reversed to the Profit and Loss account on account of sale of NPAs shall be disclosed in the financial statements of the bank under “Notes to Account”, as provided in Annexure III - C.4(f)(i) of [Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021](#).

12.3 Placement of deposits with other banks by UCBs

12.3.1 Prudential inter-bank (gross) exposure limit

The total amount of deposits placed by an UCB 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. The balances held in deposit accounts with commercial banks (including scheduled Small Finance Banks), scheduled UCBs, State Cooperative Banks, District Central Cooperative Banks and investments in Certificate of Deposits issued by commercial banks, being interbank exposures, will be included in this 20 per cent limit.

In cases where the smaller non-scheduled UCBs are keeping current account/minimum required balance for clearing purpose with relatively larger non-scheduled bank for sub-member clearing arrangements, it is possible that the financial position of the non- scheduled UCB with whom such deposits are kept, could take a hit due to unexpected downturn in its business and which could have an effect on the financial position for the depositing bank and its business. Non-scheduled UCBs, which have exposures to other non-scheduled UCBs on account of clearing arrangements may, therefore, review their exposures to such banks periodically based on their published balance sheet and Profit and Loss Account statements.

12.3.2 Prudential inter-bank counter party 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.

12.3.3 Scheduled UCBs may accept deposits from other scheduled UCBs, if it is part of an arrangement for providing specific services to the latter bank such as acting as the sponsor bank for clearing purposes, DD arrangement, CSGL facility, currency chest facility, foreign exchange transactions, remittance facility and non-fund based facilities like bank guarantee (BG), letter of credit (LC), etc. However, the acceptance of deposits by scheduled UCBs from other scheduled UCBs in the nature of placement of deposits for investment purposes is not permitted.

12.3.4 Only Scheduled UCBs fulfilling the criteria provided in [circular DCBR.BPD.\(PCB\).Cir.No.8/16.20.000/2015-16 dated November 19, 2015](#) are permitted to accept deposits from scheduled/ non-scheduled UCBs. Those scheduled UCBs which fail to meet the criteria shall phase out the deposits as provided in circular *ibid*. The total inter-UCB deposits accepted by a scheduled UCB satisfying the criteria should not exceed 10 per cent of its total deposit liabilities as on 31st March of the previous financial year.

12.3.5 The interbank exposures arising from deposits placed by UCBs with a UCB under All-inclusive Directions (AID) shall be fully provided within five years

at the rate of 20 per cent annually in terms of [circular DOR.\(PCB\).BPD.Cir.No.11/16.20.000/2019-20 dated April 20, 2020](#). Further, wherever UCBs are facing difficulty in withdrawal of deposits from a weak State Cooperative Bank/District Central Cooperative Bank, they shall make provision to the extent of 10 per cent per annum on their exposure to such State Cooperative Banks/District Central Cooperative Banks. The interest receivable on such deposits shall not be recognised as income by the UCBs.

- 12.3.6 Keeping in view the prescribed prudential limits, UCBs may formulate a policy taking into account their funds position, liquidity and other needs for placement of deposits with other banks, the cost of funds, expected rate of return and interest margin on such deposits, the counter party risk, etc., and place it before their Board of Directors. The Board should review the position at least at half yearly intervals.

13. INTERNAL CONTROL AND INVESTMENT ACCOUNTING

13.1 Internal Control

- 13.1.1 For every transaction entered into, a deal slip should be prepared which should contain details relating to name of the counterparty, 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.
- 13.1.2 The Deal Slips should be serially numbered and controlled separately to ensure that each deal slip has been properly accounted for.
- 13.1.3 On the basis of vouchers passed after verification of actual contract notes received from the broker/counterparty and confirmation of the deal by the counterparty the Accounts Section should independently write the books of accounts.
- 13.1.4 A record of broker-wise details of deals put through and brokerage paid should be maintained.
- 13.1.5 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.

13.2 Investment Accounting

13.2.1 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 AIFs, 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 AIFs, 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.

13.2.2 Broken Period Interest - Government and Other Approved Securities

13.2.2.1 With a view to bringing about uniformity in the accounting treatment of broken period interest on Government Securities paid at the time of acquisition, 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.

13.2.2.2 It is to be noted that 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.

13.2.2.3 Accounting Procedure for investments in Government Securities – Settlement Date Accounting

With a view to bringing in uniformity in the practice adopted by banks while accounting for investments in Government Securities, it has been decided that banks should follow "Settlement Date" accounting for recording both outright and repos/reverse repo transactions in Government Securities.

14. RECOMMENDATIONS OF GHOSH COMMITTEE

The following recommendations made by the Ghosh Committee should be implemented by the banks to prevent frauds and malpractices:

14.1 Concurrent Audit

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

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

14.1.3 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 demat form, as shown in the books, are physically held.
- (iii) Ensure that the Accounting Unit is complying with the guidelines regarding SGL forms, delivery of scrips, documentation and accounting.
- (iv) Ensure that the sale or purchase transactions are done at rates beneficial to the bank.
- (v) Scrutinise conformity with broker limits and include excesses observed in their periodical reports.

14.1.4 Banks should formulate internal control guidelines for acquisition of permissible shares, debentures and PSU bonds in the secondary market duly approved by their Boards.

14.2 Internal Audit

Purchase and sale of Government Securities etc. should be separately subjected to audit by internal auditors. In the absence of internal auditors, audit may be conducted by Chartered Accountants. The results of their audit should be placed before the Board of Directors once in every quarter.

14.3 Review

Banks 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 Supervision (erstwhile Urban Banks Department) by May 15/November 15 respectively.

14.4 Penalties for Violation

Banks should scrupulously follow the above instructions. Any violation of these instructions will invite penal action against defaulting banks which could include raising of reserve requirements, withdrawal of refinance from the Reserve Bank, denial of access to money markets, denial of new branches/extension counters and advising the President

of Clearing House to take appropriate action including suspension of membership of the Clearing House.

15. **Categorisation of Investments**

15.1 UCBs are 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)

Banks should decide the category of the investment at the time of acquisition and the decision should be recorded on the investment proposals. Investments in non-SLR securities, since September 18, 2007, 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, banks are 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 per cent of their NDTL as on the last Friday of the second preceding fortnight.

15.2.3 UCBs are not expected to resort to sale of securities held in HTM category. However, if due to liquidity stress, UCBs are required to sell securities from HTM portfolio, they may do so with the permission of their Board of Directors and rationale for such sale may be clearly recorded. Profit on sale of investments from HTM category shall first be taken to the Profit and Loss account and, thereafter, the amount of such profit shall be appropriated to 'Capital Reserve' from the net profit for the year after statutory appropriations. Loss on sale shall be recognized in the Profit and Loss account in the year of sale.

15.3 Held for Trading

- 15.3.1 Securities acquired by the banks with the intention to trade by taking advantage of the short-term price/interest rate movements will be classified under HFT category.
- 15.3.2 If banks are 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.
- 15.4.2 Banks 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 and AFS categories should be taken to the Profit and Loss Account).

15.5 Shifting of investments

- 15.5.1 Banks 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 Banks 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.

15.6 Classification of Investments in the Balance Sheet

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

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 amortised 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 15.6 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 (IDR) 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 Investment Fluctuation Reserve (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".

(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 In respect of securities included in any of the three categories where interest/principal is in arrears, the banks should not reckon income on the securities and should also make appropriate provisions for the depreciation in the value of the investment. The banks 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

16.2.1 Quoted Securities

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 scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, and prices declared by Financial Benchmarks India Pvt. Limited (FBIL)/FIMMDA.

16.2.2 Unquoted SLR Securities

In respect of unquoted securities, the procedure as detailed below should be adopted.

(i) Central Government Securities

(a) The Reserve Bank will not announce the YTM rates for unquoted Government securities, for the purpose of valuation of investments by

banks. The banks shall value the unquoted Central Government securities on the basis of the prices/YTM rates put out by the Financial Benchmark India Pvt. Ltd. (FBIL) at periodical intervals.

- (b) It is clarified that the reckoning of number of years for the purpose of deciding upon appropriate 'Yield To Maturity' (YTM) Rate be done by rounding off the fractional period of a year to the nearest completed year.
- (c) As regards valuation of other unquoted securities including PSU bonds, banks should uniformly follow YTM method for arriving at valuation of unquoted securities.

(ii) Treasury Bills should be valued at carrying cost.

(iii) State Government Securities

State Government securities shall be valued on the basis of the prices / YTM rates put out by FBIL periodically.

(iv) Other Approved Securities

Other approved securities will be valued applying the YTM method by marking it up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FBIL periodically.

16.2.3 Unquoted Non-SLR securities

(i) Debentures/Bonds

All debentures/bonds other than debentures/ bonds which are in the nature of advance should be valued on the YTM basis. Such debentures/bonds may be of different ratings. These will be valued with appropriate mark-up over the YTM rates for Central Government securities as put out by FBIL/FIMMDA periodically. The mark-up will be graded according to the ratings assigned to the debentures/bonds by the rating agencies subject to the following:

- (a) The rate used for the YTM for rated debentures/bonds should be at least 50 basis points above the rate applicable to a Government of India security of equivalent maturity,
- (b) The rate used for the YTM for un-rated debentures/ bonds should not be less than the rate applicable to rated debentures/bonds of equivalent maturity. The mark-up for the un-rated debentures/bonds should appropriately reflect the credit risk borne by the bank.
- (c) Where interest/principal on the debenture/bonds is in arrears, the provision should be made for the debentures as in the case of

debentures/bonds treated as advances. The depreciation/provision requirement towards debentures where the interest is in arrears or principal is not paid as per due date, shall not be allowed to be set-off against appreciation against other debentures/bonds.

(ii) Where the debentures/bond is quoted and there have been transactions within 15 days prior to the valuation date, the value adopted should not be higher than the rate at which the transaction is recorded on the stock exchange.

(iii) Shares of Co-operative Institutions

If UCBs have regularly received dividends from co-operative institutions, then their shares should be valued at face value. In a number of cases, the co-operative institutions in whose shares the UCBs have made investments have either gone into liquidation or have not declared dividend at all. In such cases, the banks should make full provision in respect of their investments in shares of such co-operative institutions. In cases where the financial position of co-operative institutions in whose shares banks have made investments is not available, the shares have to be taken at Re. 1/- per co-operative institution.

(iv) Valuation of Non-SLR securities issued by the Government of India

(a) Over the years, the Government of India has, from time to time, issued several special securities which do not qualify for the purpose of complying with the SLR requirements of UCBs. Such Government securities are governed by a separate set of terms and conditions and entail a higher degree of illiquidity spread.

(b) For the limited purpose of valuation, all special securities issued by the Government of India, directly to the beneficiary entities, which do not carry SLR status, may be valued at a spread of 25 bps above the corresponding yield on Government of India securities.

(c) It may be noted, that at present, such special securities comprise: Oil Bonds, Fertiliser Bonds, bonds issued to the State Bank of India (during the rights issue), Unit Trust of India, Industrial Finance Corporation of India Ltd., Food Corporation of India, the erstwhile Industrial Investment Bank of India Ltd., the erstwhile Industrial Development Bank of India and the erstwhile Shipping Development Finance Corporation.

16.2.4 Units of Mutual funds

Investments in quoted debt/money market Mutual Fund Units should be valued as per stock exchange quotations. Investments in un-quoted Mutual Funds Units are to be valued on the basis of the latest re-purchase price declared by the Mutual Funds in respect of each particular Scheme. In case of funds with a lock-in period, or where repurchase price/market quote is not available, units could be valued at Net Asset Value (NAV). If NAV is not available, then these could be valued at cost, till the end of the lock-in period.

17. INVESTMENT FLUCTUATION RESERVE (IFR)

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

17.1 All UCBs shall build 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. 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 Banks 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.

17.3 The IFR consisting of realised gains from the sale of investments held in AFS & HFT 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 Banks 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 Banks may utilise the amount held in IFR to meet, in future, the depreciation requirement on investment in securities.

17.7 A bank may, at its discretion, draw down the balance available in IFR in excess of 5 per cent of its investment in AFS & HFT for credit to the balance of profit / loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 5 per cent of its investment in AFS & HFT, a draw down will be permitted subject to the following conditions:

- (a) The drawn down amount is used only for meeting the minimum Tier I capital requirements by way of appropriation to free reserves or reducing the balance of loss, and

- b) The amount drawn down is not more than the extent to which the MTM provisions made during the aforesaid year exceed the net profit on sale of investments during that year.

17.8 Distinction between IFR and Investment Depreciation Reserve (IDR)

It may be noted that IFR is created out of appropriation of net profit from the realised gains from the sale of investments held in AFS & HFT, 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.

Certain clarifications on brokers' limits
[Paragraph 6.3]

Sr. No.	Issue raised	Response
1.	The year should be calendar year or financial year?	Since banks close their accounts at the end of March, it may be more convenient to follow the financial year. However, the banks may follow calendar year or any other period of 12 months provided, if it is consistently followed in future.
2.	Whether to arrive at the total transactions of the year, transactions entered into directly with counterparties, i.e. where no brokers are involved would also be taken into account?	Not necessary. However, if there are any direct deals with the brokers as purchasers or sellers the same would have to be included in the total transactions to arrive at the limit of transactions to be done through an individual broker.
3.	Whether in case of ready forward deals both the legs of the deals i.e., purchase as well as sale will be included to arrive at the volume of total transactions?	Yes
4.	Whether central loan/state loan/treasury bills etc. purchased through direct subscriptions/auctions will be included in the volume of total transactions?	No, as brokers are not involved as intermediaries.
5.	It is possible that even though bank considers that a particular broker has touched the prescribed limit of 5 per cent, he may come with an offer during the remaining period of the year which the bank may find to its advantage as compared to offers received from the other brokers who have not yet done business upto the prescribed limit.	If the offer received is more advantageous the limit for the broker may be exceeded and the reasons therefore recorded, and approval of the competent authority/Board obtained post facto.

6.	For a bank which rarely deals through brokers and consequently the volume of business is small maintaining the broker-wise limit of 5 per cent may mean splitting the orders in small values amongst different brokers and there may also arise price differential.	There may be no need to split an order. If any deal causes, the particular broker's share to exceed 5 per cent limit, our circular provides the necessary flexibility inasmuch as Board's post facto approval can be obtained.
7.	During the course of the year, it may not be possible to reasonably predict what will be the total quantum of transactions through brokers as a result of which there could be deviation in complying with the norm of 5 per cent.	The bank may get post facto approval from the Board after explaining to it, the circumstances in which the limit was exceeded.
8.	Some of the small private sector banks have mentioned that where the volume of business particularly, the transactions done through brokers is small the observance of 5 per cent limit may be difficult. A suggestion has, therefore, been made that the limit may be required to be observed if the business done through a broker, exceeds a cut-off point of say ₹10 crore.	As already observed the limit of 5 per cent can be exceeded subject to reporting the transactions to the competent authority post facto. Hence, no change in instructions is considered necessary.
9.	Whether the limit is to be observed with reference to total transactions of the previous year as the total transactions of the current year would be known only at the end of the year?	The limit has to be observed with reference to the year under review. While operating the limit, the bank should consider the expected turnover of the current year which may be based on turnover of the previous year and anticipated rise or fall in the volume of business in the current year.

Definitions of certain terms

[Paragraph 12.1.3]

1. With a view to imparting clarity and to ensure that there is no divergence in the implementation of the guidelines, some of the terms used in the guidelines are defined below.
2. A security will be treated as rated if it is subjected to a detailed rating exercise by an external rating agency in India which is registered with SEBI and is carrying a current or valid rating. The rating relied upon will be deemed to be current or valid if:
 - (i) the credit rating letter relied upon is not more than one month old on the date of opening of the issue, and
 - (ii) the rating rationale from the rating agency is not more than one year old on the date of opening of the issue, and
 - (iii) the rating letter and the rating rationale is a part of the offer document.
 - (iv) In the case of secondary market acquisition, the credit rating of the issue should be in force and confirmed from the monthly bulletin published by the respective rating agency.
 - (v) Securities which do not have a current or valid rating by an external rating agency would be deemed as unrated securities.
3. A 'listed' debt security is a security which is listed in a stock exchange. If not so, it is an 'unlisted' debt security.
4. A Non Performing Investment (NPI), similar to a Non Performing Advance (NPA), is one where :
 - (a) Interest/ instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.
 - (b) if any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would also be treated as NPI.

Guidelines for accounting of Repo/Reverse Repo transactions

[Paragraph 9.5]

1. The Reserve Bank of India (Amendment) Act, 2006 (Act No. 26 of 2006) provides a legal definition of 'repo' and 'reverse repo' (vide sub-sections (c) and (d) of section 45 U of Chapter III D of the Act) as an instrument for borrowing (lending) funds by selling (purchasing) securities with an agreement to repurchase (resell) the securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed (lent). Accordingly, to bring such transactions onto the balance sheet in their true economic sense and enhance transparency, the accounting guidelines have been reviewed and the revised guidelines are given below:

2. **Applicability of the accounting guidelines:** The revised accounting guidelines will apply to market repo transactions in Government Securities and corporate debt securities including the tri-party repo in such securities. These accounting norms will, however, not apply to repo / reverse repo transactions conducted under the Liquidity Adjustment Facility (LAF) with Reserve Bank.

3. Market participants may undertake repos from any of the three categories of investments, viz., **Held for Trading, Available for Sale and Held to Maturity.**

4. The economic essence of a repo transaction, viz., borrowing (lending) of funds by selling (purchasing) securities shall be reflected in the books of the repo participants, by accounting the same as collateralised lending and borrowing transaction, with an agreement to repurchase, on the agreed terms. Accordingly, the repo seller, i.e., borrower of funds in the first leg, shall not exclude the securities sold under repo but continue to carry the same in his investment account (illustration given in the Annex III (a) & III (b)) reflecting his continued economic interest in the securities during the repo period. On the other hand, the repo buyer, i.e., lender of funds in the first leg, shall not include the securities purchased under repo in his investment account but show it in a separate sub-head (Annex (III) (a) & (III) (b)). The securities would, however, be transferred from the repo seller to repo buyer as in the case of normal outright sale/purchase transactions and such movement of securities shall be reflected using the Repo/Reverse Repo Accounts and contra entries. In the case of repo seller, the Repo Account is credited in the first leg for the securities sold (funds received), while the same is reversed when the securities are repurchased in the second leg. Similarly, in the case of repo buyer, the Reverse Repo Account is debited for the amount of securities purchased (funds lent) and the same is reversed in the second leg when the securities are sold back.

5. The first leg of the repo transaction should be contracted at the prevailing market rates. The reversal (second leg) of the transaction shall be such that the difference

between the consideration amounts of first and second legs should reflect the repo interest.

6. The accounting principles to be followed while accounting for repo / reverse repo transactions are as under:

(i) Coupon /Discount

- (a) The repo seller shall continue to accrue the coupon/discount on the securities sold under repo even during the repo period while the repo buyer shall not accrue the same.
- (b) In case the interest payment date of the security offered under repo falls within the repo period, the coupons received by the buyer of the security should be passed on to the seller of the security on the date of receipt as the cash consideration payable by the seller in the second leg does not include any intervening cash flows.

(ii) Repo Interest Income / Expenditure

After the second leg of the repo / reverse repo transaction is over,

- (a) the difference between consideration amounts of the first leg and second leg of the repo shall be reckoned as Repo Interest Income / Expenditure in the books of the repo buyer / seller respectively; and
- (b) the balance outstanding in the Repo Interest Income / Expenditure account should be transferred to the Profit and Loss account as an income or an expenditure. As regards repo / reverse repo transactions *outstanding on the balance sheet date*, only the accrued income / expenditure *till the balance sheet date* should be taken to the Profit and Loss account. Any repo income / expenditure for the remaining period should be reckoned for the next accounting period.

(iii) Marking to Market

The repo seller shall continue to mark to market the securities sold under repo transactions as per the *investment classification of the security*. To illustrate, in case the securities sold by banks under repo transactions are out of the **Available for Sale** category, then the mark to market valuation for such securities should be done at least once a quarter. For entities which do not follow any investment classification norms, the *valuation for securities sold under repo transactions may be in accordance with the valuation norms followed by them in respect of securities of similar nature*.

7. Accounting Methodology

The accounting methodology to be followed along with the illustrations is given in **Annexes III (a) and III (b)**. Participants using more stringent accounting principles may continue using the same principles.

8. Classification of Accounts

Banks shall classify the balances in Repo Account under Schedule 4 under item I (ii) or I (iii) as appropriate. Similarly, the balances in Reverse Repo Account shall be classified under Schedule 7 under item I (ii) a or I (ii) b as appropriate. The balances in Repo interest expenditure Account and Reverse Repo interest income Account shall be classified under Schedule 15 (under item II or III as appropriate) and under Schedule 13 (under item III or IV as appropriate) respectively. The balance sheet classification for other participants shall be governed by the guidelines issued by the respective regulators.

9. Disclosure

The disclosures should be made by banks in the “Notes on Accounts’ to the Balance Sheet, as provided in Annexure III - C.3(e) of [Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021](#).

**Recommended Accounting Methodology for accounting of
Repo / Reverse Repo transactions**
[Paragraph 7 of Annex III]

(i) The following accounts may be maintained, viz. i) Repo Account, ii) Reverse Repo Account, iii) Reverse Repo Interest Income Account, iv) Repo Interest Expenditure Account v) Reverse Repo Interest Receivable Account and vi) Repo Interest Payable Account.

(ii) In addition to the above, the following 'contra' accounts may also be maintained, viz. i) Securities Sold under Repo Account, (ii) Securities Purchased under Reverse Repo Account, (iii) Securities Receivable under Repo Account and (iv) Securities Deliverable under Reverse Repo Account.

Repo

(iii) In a repo transaction, the securities should be sold in the first leg at market related prices and re-purchased in the second leg at the same prices. The consideration amount in the second leg would, however, include the repo interest. The sale and repurchase should be reflected in the Repo Account.

(iv) Though the securities are not excluded from the repo seller's investment account and not included in the repo buyer's investment account, the transfer of securities shall be reflected by using the necessary contra entries.

Reverse Repo

(v) In a reverse repo transaction, the securities should be purchased in the first leg at prevailing market prices and sold in the second leg at the same prices. The consideration amount in the second leg would, however, include the repo interest. The purchase and sale should be reflected in the Reverse Repo Account.

(vi) The balances in the Reverse Repo Account shall not be a part of the Investment Account for balance sheet purposes but can be reckoned for SLR purposes if the securities acquired under reverse repo transactions are approved securities.

Other aspects relating to Repo/Reverse Repo

(vii) In case the interest payment date of the securities sold under repo falls within the repo period, the coupons received by the buyer of the security should be passed on to the seller on the date of receipt as the cash consideration payable by the seller in the second leg does not include any intervening cash flows.

(viii) To reflect the accrual of interest in respect of the outstanding repo transactions at the end of the accounting period, appropriate entries should be passed in the Profit and

Loss account to reflect Repo Interest Income / Expenditure in the books of the buyer / seller respectively and the same should be debited / credited as an expenditure payable/income receivable. Such entries passed should be reversed on the first working day of the next accounting period.

(ix) Repo seller continues to accrue coupon/discount as the case may be, even during the repo period while the repo buyer shall not accrue the same.

(x) Illustrative examples are given in Annex III (b)

Illustrative examples for accounting of Repo / Reverse repo transactions

[Paragraph 7 of Annex III]

While in the body of the circular, the term "repo" is used generically to include both repo and reverse repo (which is simply a mirror image of a repo transaction), in this Annex the accounting guidelines have been set out separately for repo and reverse repo for clarity.

A. Repo/Reverse Repo of dated security

1. Details of Repo in a coupon bearing security:

Security offered under repo	7.17% 2028	
Coupon payment dates	08 January and 08 July	
Market Price of security	₹96.9000	(1)
Date of the repo	26-Mar-2018	
Repo interest rate	6.00%	
Tenor of the repo	8 days	
Reversal date for the repo	03-Apr-2018	
Broken period interest for the first leg*	$7.17\% \times 78 / 360 \times 100 = ₹1.5535$	(2)
Cash consideration for the first leg	(1) + (2) = ₹98.4535	(3)
Repo interest**	$₹98.4535 \times 8/365 \times 6.00\% = ₹0.1295$	(4)
Cash Consideration for the second leg	(3)+(4) = ₹98.4535 + ₹0.1295 = ₹98.5830	

* Using 30/360 day count convention

** Using Actual/365 day count convention

2. Accounting for Repo Seller (Borrower of Funds)

First leg

	Debit	Credit
Cash	98.4535	
Repo A/c		98.4535
Securities recoverable under Repo A/c (by contra)	98.4535	
Securities sold under Repo A/c (by contra)		98.4535

Second Leg

	Debit	Credit
Repo A/c	98.4535	
Repo Interest Expenditure A/c	0.1295	
Cash A/c		98.5830
Securities sold under Repo A/c (by contra)	98.4535	
Securities Receivable under Repo A/c (by contra)		98.4535

3. Accounting for Repo Buyer (Lender of Funds)

First leg

	Debit	Credit
Reverse Repo A/c	98.4535	
Cash A/c		98.4535
Securities purchased under Reverse Repo A/c (by contra)	98.4535	
Securities Deliverable under Reverse Repo A/c (by contra)		98.4535

Second Leg

	Debit	Credit
Cash A/c	98.5830	
Reverse Repo A/c		98.4535
Reverse Repo Interest Income A/c		0.1295
Securities Deliverable under Reverse Repo A/c (by contra)	98.4535	
Securities Purchased under Reverse Repo A/c (by contra)		98.4535

4. Ledger entries for the adjustment accounts

Securities Receivable under Repo A/c

Debit		Credit	
To Securities Sold under Repo A/c (repo 1 st leg)	98.4535	By Securities Sold under Repo A/c (repo 2 nd leg)	98.4535

Securities Sold under Repo A/c

Debit		Credit	
To Securities Receivable under Repo A/c (repo 2 nd leg)	98.4535	By Securities Receivable under Repo A/c (repo 1 st leg)	98.4535

Securities Purchased under Repo A/c

Debit		Credit	
To Securities Deliverable under Reverse Repo A/c (reverse repo 2 nd leg)	98.4535	By Securities Deliverable under Reverse Repo A/c (reverse repo 2 nd leg)	98.4535

Securities Deliverable under Repo A/c

Debit		Credit	
To Securities purchased under Reverse Repo A/c (reverse repo 2 nd leg)	98.4535	By Securities Purchased under Reverse Repo A/c (reverse repo 1 st leg)	98.4535

5. If the balance sheet date falls during the tenor of the repo, participants may use the transit accounts, i.e., Repo Interest Payable A/c and Reverse Repo Interest Receivable A/c to record the accrued interest and reverse the same the following day. The balances in the repo interest receivable and payable shall be taken to the P & L Account with appropriate entries passed in the Balance sheet, as below:

Transaction Leg	1st leg	Balance Sheet Date	2nd leg
Dates	26-Mar-18	31-Mar-18	03-Apr-18

(a) Entries in the Books of Repo Seller (borrower of funds) on 31-Mar-18

Account Head	Debit	Credit
Repo Interest Expenditure A/c [Balances under the account to be transferred to P & L]	0.0971 (being the repo interest for 6 days)	
Repo Interest Payable A/c		0.0971

Account Head	Debit	Credit
P & L A/c	0.0971	
Repo Interest Expenditure A/c		0.0971

(b) Reversal of entries in the Books of the Repo Seller (borrower of funds) on 01-Apr-18

Account Head	Debit	Credit
Repo Interest Payable A/c	0.0971	
Repo Interest Expenditure A/c		0.0971

(c) Entries in books of Repo Buyer (Lender of Funds) on 31-Mar-18

Account Head	Debit	Credit
Reverse Repo Interest Receivable A/c	0.0971	
Reverse Repo Interest Income A/c [Balances under the account to be transferred to P&L]		0.0971 (being the repo interest for 6 days)

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0971	
P & L A/c		0.0971

(d) Reversal of entries in the Books of Repo Buyer (Lender of Funds) on 01-Apr-18

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.0971	
Reverse Repo Interest Receivable A/c		0.0971

B. Repo/Reverse Repo of Treasury Bill

1. Details of Repo on a Treasury Bill

Security offered under Repo	GOI 91 day Treasury Bill maturing on 21 June 2018	
Price of the security offered under Repo	₹ 98.5785	(1)
Date of the Repo	26-Mar-2018	
Repo interest rate	6.00%	
Tenor of the repo	8 days	
Total cash consideration for the first leg	₹ 98.5785	(2)
Repo interest*	$\text{₹ } 98.5785 \times 6\% \times 8/365 = \text{₹ } 0.1296$	(3)
Cash consideration for the second leg	$(2)+(3) = \text{₹ } 98.5785 + \text{₹ } 0.1296 = \text{₹ } 98.7081$	

* Using actual/365 day count convention

2. Accounting for Repo Seller (Borrower of Funds)

First leg

	Debit	Credit
Cash	98.5785	
Repo A/c		98.5785
Securities Receivable under Repo A/c (by contra)	98.5785	
Securities Sold under Repo A/c (by contra)		98.5785

Second leg

	Debit	Credit
Repo A/c	98.5785	
Repo Interest Expenditure A/c	0.1296	
Cash A/c		98.7081
Securities Sold under Repo A/c (by contra)	98.5785	
Securities Receivable under Repo A/c (by contra)		98.5785

3. Accounting for Repo Buyer (Lender of Funds)

First leg

	Debit	Credit
Reverse Repo A/c	98.5785	
Cash A/c		98.5785
Securities Purchased under Reverse Repo A/c (by contra)	98.5785	
Securities Deliverable under Reverse Repo A/c (by contra)		98.5785

Second leg

	Debit	Credit
Cash A/c	98.7081	
Reverse Repo A/c		98.5785
Reverse Repo Interest Income A/c		0.1296
Securities Deliverable under Reverse Repo A/c (by contra)	98.5785	
Securities Purchased under Reverse Repo A/c (by contra)		98.5785

4. Ledger entries for the adjustment accounts

Securities Receivable under Repo A/c

Debit		Credit	
To Securities Sold under Repo A/c (repo 1 st leg)	98.5785	By Securities Sold under Repo A/c (repo 2 nd leg)	98.5785

Securities Sold under Repo A/c

Debit		Credit	
To Securities Receivable under Repo A/c (repo 2 nd leg)	98.5785	By Securities Receivable under Repo A/c (repo 1 st leg)	98.5785

Securities Purchased under Repo A/c

Debit		Credit	
To Securities Deliverable under Reverse Repo A/c (reverse repo 1 st leg)	98.5785	By Securities Deliverable under Reverse Repo A/c (reverse repo 2 nd leg)	98.5785

Securities Deliverable under Reverse Repo A/c

Debit		Credit	
To Securities Purchased under Repo A/c (reverse repo 2 nd leg)	98.5785	By Securities Purchased under Reverse Repo A/c (reverse repo 1 st leg)	98.5785

5. If the balance sheet date falls during the tenor of the repo, participants may use the transit accounts, i.e. Repo Interest Payable A/c and Reverse Repo Interest Receivable A/c to record the accrued interest and reverse the same the following day. The balances in the repo interest receivable and payable shall be taken to the P & L Account with appropriate entries passed in the Balance sheet, as below:

Transaction Leg	1 st leg	Balance Sheet Date	2 nd leg
Dates	26-Mar-18	31-Mar-18	03-Apr-18

(a) Entries in the Books of Repo Seller (borrower of funds) on 31-Mar-18

Account Head	Debit	Credit
Repo Interest Expenditure A/c [Balances under the account to be transferred to P & L]	0.09723 (being the repo interest for 6 days)	
Repo Interest Payable A/c		0.09723

Account Head	Debit	Credit
P & L A/c	0.09723	
Repo Interest Expenditure A/c		0.09723

(b) Reversal of entries in the Books of Repo Seller (borrower of funds) on 01-Apr-18

Account Head	Debit	Credit
Repo Interest Payable A/c	0.09723	
Repo Interest Expenditure		0.09723

(c) Entries in books of Repo Buyer (Lender of Funds) on 31-Mar-18

Account Head	Debit	Credit
Reverse Repo Interest Receivable A/c	0.09723	
Reverse Repo Interest Income A/c [Balances under the account to be transferred to P & L]		0.09723 (being the repo interest for 4 days)

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.09723	
P & L A/c		0.09723

(d) Reversal of entries in the Books of Repo Buyer (Lender of Funds) on 01-Apr-18

Account Head	Debit	Credit
Reverse Repo Interest Income A/c	0.09723	
Reverse Repo Interest Receivable A/c		0.09723

Guidelines on Sale of Financial Assets to ARC *[Paragraph 12.2]*

1. Scope

These guidelines would be applicable to sale of financial assets enumerated in paragraph 3 below, by Multi-State Co-operative Banks, for asset reconstruction / Securitisation under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).

2. Structure

The guidelines to be followed by Multi-State Co-operative Banks while selling their financial assets to ARC under the Act *ibid* and investing in bonds / debentures / security receipts offered by the ARC are given below. The prudential guidelines have been grouped under the following headings:

- i) Financial assets which can be sold.
- ii) Procedure for sale of financial assets of Multi-State Co-operative Banks to ARC, including valuation and pricing aspects.
- iii) Prudential norms, in the following areas, for Multi-State Co-operative Banks for sale of their financial assets to ARC and for investing in bonds / debentures / security receipts and any other securities offered by the ARC as compensation consequent upon sale of financial assets:
 - a) Provisioning / Valuation norms
 - b) Capital adequacy norms
 - c) Exposure norms
- iv) Disclosure requirements

3. Financial assets which can be sold

A financial asset may be sold to the ARC by Multi-State Co-operative Banks where the asset is:

- i) A Non Performing Asset, including a non-performing bond / debenture, and
- ii) A Standard Asset where:
 - (a) the asset is under consortium / multiple banking arrangements with Commercial Banks and Multi State Cooperative Banks as member banks,
 - (b) at least 75 per cent by value of the asset is classified as non-performing asset in the books of other banks, and

- (c) at least 75 per cent (by value) of the banks who are under the consortium / multiple banking arrangements agree to the sale of the asset to ARC.

4. Procedure for sale of financial assets of Multi-State Co-operative Banks to ARC, including valuation and pricing aspects

- (a) The SARFAESI Act, 2002 allows acquisition of financial assets by ARC from Multi-State Co-operative Bank on such terms and conditions as may be agreed upon between them. This provides for sale of the financial assets on 'without recourse' basis, i.e., with the entire credit risk associated with the financial assets being transferred to ARC, as well as on 'with recourse' basis, i.e., subject to unrealized part of the asset reverting to the seller bank. Multi-State Co-operative Banks are, however, directed to ensure that the effect of the sale of the financial assets should be such that the asset is taken off from the books of the bank and after the sale there should not be any known liability devolving on the bank.
- (b) Banks which propose to sell their financial assets to ARC should ensure that the sale is conducted in a prudent manner in accordance with the policy approved by the Board. The Board shall lay down policies and guidelines covering, inter alia,
 - i) Financial assets to be sold;
 - ii) Norms and procedure for sale of such financial assets;
 - iii) Valuation procedure to be followed to ensure that the realisable value of financial assets is reasonably estimated;
 - iv) Delegation of powers of various functionaries for taking decision on the sale of the financial assets; etc.
- (c) Banks should ensure that subsequent to sale of the financial assets to ARC, they do not assume any operational, legal or any other type of risks relating to the financial assets sold.
- (d)
 - (i) Each bank will make its own assessment of the value offered by the ARC for the financial asset and decide whether to accept or reject the offer.
 - (ii) In the case of consortium / multiple banking arrangements with other Multi-State Cooperative Banks and Commercial Banks, if 75 per cent (by value) of the banks decide to accept the offer, the remaining banks will be obligated to accept the offer.
 - (iii) Under no circumstances, can a transfer to the ARC be made at a contingent price whereby in the event of shortfall in the realization by the ARC, the banks would have to bear a part of the shortfall.
- (e) Banks may receive cash or bonds or debentures as sale consideration for the financial assets sold to ARC.

- (f) Bonds / debentures received by banks as sale consideration towards sale of financial assets to ARC will be classified as investments in the books of banks.
- (g) Banks may also invest in security receipts or other bonds / debentures issued by ARC in respect of financial assets sold by them to ARC. These securities will also be classified as investments in the books of banks.
- (h) In cases of specific financial assets, where it is considered necessary, banks may enter into agreement with ARC to share, in an agreed proportion, any surplus realised by ARC on the eventual realisation of the concerned asset. In such cases the terms of sale should provide for a report from the ARC to the bank on the value realised from the asset. No credit for the expected profit will be taken by banks until the profit materializes on actual sale.

5. Prudential norms for banks for the sale transactions

(A) Provisioning / valuation norms

- (a) (i) When a bank sells its financial assets to ARC, on transfer the same will be removed from its books.
- (ii) If the sale to ARC is at a price below the net book value (NBV) (i.e., book value less provisions held), the shortfall should be debited to the profit and loss account of that year.
- (iii) Multi-State Urban Cooperative Banks are permitted to reverse to P& L account the excess provision when the sale is for a value higher than the NBV on sale of NPAs to their profit and loss account. However, banks can reverse excess provision arising out of sale of NPAs only when the cash received (by way of initial consideration and/or redemption of security receipt /pass through certificates) is higher than the NBV of the NPAs sold to ARCs. Further, the quantum of excess provision reversed to profit and loss account will be limited to the extent of which cash exceeds the NBV of the NPAs sold. The quantum of excess provision reversed to the Profit and Loss account on account of sale of NPAs shall be disclosed in the financial statements of the bank under "Notes to Account".
- (iv) When banks invest in the security receipts issued by ARC in respect of the financial assets sold by them to the ARC, the sale shall be recognised in books of the banks at the lower of:
 - * the redemption value of the security receipts, and
 - * the NBV of the financial asset.

The above investment should be carried in the books of the bank / FI at the price as determined above until its sale or realization, and on such sale or

realization, the loss or gain must be dealt with in the same manner as at (ii) and (iii) above.

- (b) The securities (bonds and debentures) offered by ARC should satisfy the following conditions:
- (i) The securities must not have a term in excess of six years.
 - (ii) The securities must carry a rate of interest which is not lower than 1.5 per cent above the 'Bank Rate' in force at the time of issue.
 - (iii) The securities must be secured by an appropriate charge on the assets transferred.
 - (iv) The securities must provide for part or full prepayment in the event the ARC sells the asset securing the security before the maturity date of the security.
 - (v) The commitment of the ARC to redeem the securities must be unconditional and not linked to the realization of the assets.
 - (vi) Whenever the security is transferred to any other party, notice of transfer should be issued to the ARC.
- (c) Investment in debentures / bonds / security receipts issued by ARC

All instruments received by banks from ARC as sale consideration for financial assets sold to them and also other instruments issued by ARC in which banks invest will be in the nature of non SLR securities. Accordingly, the valuation, classification and other norms applicable to investment in non-SLR instruments prescribed by RBI from time to time would be applicable to bank's investment in debentures / bonds / security receipts issued by ARC. However, if any of the above instruments issued by ARC is limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the bank shall reckon the Net Asset Value (NAV), obtained from ARC from time to time, for valuation of such investments

(B) Capital Adequacy

For the purpose of capital adequacy, banks should assign risk weights as under to the investments in debentures / bonds / SRs issued by ARC and held by banks as investment:

- i) Risk weight for credit risk: 100%.
- ii) Risk weight for market risk: 2.5%

Applicable risk weight = (i) + (ii)

(C) Exposure Norms

Banks' investments in debentures/ bonds / SRs issued by an ARC will constitute exposure on the ARC. As there are a few ARC, banks' exposure on ARC through their investments in debentures / bonds / SRs issued by the ARC may go beyond their prudential exposure ceiling. In view of the extra ordinary nature of event, banks will be allowed, in the initial years, to exceed prudential exposure ceiling on a case-to-case basis.

6. Disclosure Requirements

Banks, which sell their financial assets to an ARC, shall be required to make the disclosures in the Notes on Accounts to their Balance sheets as provided in Annexure III - C.4(f)(i) of [Master Direction on Financial Statements - Presentation and Disclosures dated August 30, 2021](#).

7. Related Issues

- (a) ARC will also take over financial assets which cannot be revived and which, therefore, will have to be disposed of on a realisation basis. Normally the ARC will not take over these assets but act as an agent for recovery for which it will charge a fee.
- (b) Where the assets fall in the above category, the assets will not be removed from the books of the bank but realisations as and when received will be credited to the asset account. Provisioning for the asset will continue to be made by the bank in the normal course.

Appendix A

A. List of Circulars consolidated in the Master Circular

Sr. No.	Circular No.	Date	Subject
1.	DOR.(PCB).BPD.Cir.No.11/16.20.000/2019-20	20.04.2020	Provisioning on interbank exposure of Primary (Urban) Co-operative Banks (UCBs) under All Inclusive Directions
2.	DCBR.BPD.(PCB).Cir.No.10/16.20.000/2018-19	10.06.2019	Sale of Securities held in Held to Maturity (HTM) Category - Accounting treatment
3.	DBR.No.Ret.BC.10/12.02.001/2018-19	05.12.2018	Section 24 and Section 56 of the Banking Regulation Act, 1949 - Maintenance of Statutory Liquidity Ratio (SLR)
4.	DCBR.BPD.(PCB).Cir.No.02/16.20.000/2018-19	16.08.2018	Investments in Non-SLR Securities by Primary (Urban) Co-operative Banks – Approved counterparties for secondary market transactions
5.	DBR.BP.BC.No.002/21.04.141/2018-19	27.07.2018	Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by banks – Valuation of State Development Loans
6.	FMRD.DIRD.05/14.03.007/2018-19	25.07.2018	Secondary Market Transactions in Government Securities – Short Selling
7.	FMRD.DIRD.03/14.03.007/2018-19	24.07.2018	Transactions in the 'When Issued' (WI) market in Central Government Securities
8.	FMRD.DIRD.01/14.03.038/2018-19	24.07.2018	Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018
9.	DCBR.BPD.(PCB/RCB)Cir.No.1/16.20.000/2018-19	06.07.2018	Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks – Spreading of MTM losses and creation of Investment Fluctuation Reserve (IFR) by Co-operative banks
10.	FMRD.DIRD.7/14.03.025/2017-18	31.03.2018	Taking over of valuation of Government Securities (G-Sec) by Financial Benchmark India Pvt. Ltd. (FBIL) - valuation of portfolios
11.	DCBR.BPD.(PCB).Cir.No.8/16.20.000/2015-16	19.11.2015	Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)
12.	DCBR.BPD.(MSCB).Cir.No.1/13.05.000/2014-15	14.05.2015	Guidelines on Sale of Financial Assets to Securitization Company (SC) / Reconstruction Company (RC) - Reversal of Excess provision on Sale of NPAs to SC / RC
13.	UBD.BPD.(PCB).Cir.No.68/16.26.000/2013-14	05.06.2014	The Banking Laws (Amendment) Act 2012 -Amendments to Section 18 & 24 of Banking Regulation (B.R.) Act, 1949 (AACS)- Maintenance of Cash Reserve Ratio (CRR) for Non-Scheduled UCBs and Statutory Liquidity Ratio (SLR) for UCBs
14.	UBD.BPD.(PCB).Cir.No.58/16.20.000/2013-14	07.05.2014	Investments in Market Infrastructure Companies by Primary (Urban) Cooperative Banks

Sr. No.	Circular No.	Date	Subject
15.	UBD.BPD.(PCB).Cir.No.53/13.05.000/2013-14	28.03.2014	Guidelines on Sale of Financial Assets to Securitisation Company/ Reconstruction Company (SC / RC) by Multi State Urban Cooperative Banks
16.	UBD.BPD.(PCB).Cir.No.9/09.29.000/2013-14	04.09.2013	Secondary Market Transactions in Government Securities - Intra-day Short Selling
17.	UBD.BPD(SCB).No.4/16.20.000/2012-13	10.6.2013	Ready Forward Contracts in Corporate Debt Securities
18.	IDMD.PCD.1423/14.03.02/2012-13	30.10.2012	Ready Forward Contracts in Corporate Debt Securities – Permitting Scheduled UCBs.
19.	UBD.BPD(PCB).No.17/12.05.001/2011-12	03.01.2012	Negotiated Dealing System (NDS) – Order Matching (OM)- Grant of membership to UCBs
20.	IDMD.DODNo.13/10.25.66/2011-12	18.11.2011	Direct access to Negotiated Dealing System – Order Matching (NDS-OM)
21.	UBD.CO.(PCB).BPD.Cir.6/09.11.00/2011-12	25.10.2011	SGL and CSGL Accounts – Eligibility Criteria and Operational Guidelines
22.	IDMD.No.29/11.08.043/2010-11	30-05-2011	Guidelines for Accounting of Repo / Reverse Repo Transactions- Clarification
23.	UCB(PCB)BPD.Cir.No.36/16.20.000/2010-11	18-02-2011	Prudential Norms on Investment in Zero Coupon Bonds
24.	UBD.(PCB).Cir.No.34/09.80.00/2010-11	18-01-2011	Accounting Procedure for Investments - Settlement Date Accounting
25.	UBD.BPD.(PCB).Cir.No.24/12.05.001/2010-11	16.11.2010	Opening of Current account and Subsidiary General Ledger Account with Reserve Bank and Membership of Indian Financial network (INFINET) and Real Time Gross Settlement (RTGS) system.
26.	IDMD.PCD.22/11.08.38/2010-11	09.11.2010	Ready Forward Contracts in Corporate Debt Securities
27.	IDMD. DOD.17/11.01.01(B)/2010-11	14.07.2010	Government Securities Act, 2006, Sections 27 & 30 - Imposition of penalty for bouncing of SGL forms
28.	UBD.CO.BSD./PCB.Cir./68/12.22.351/2009-10	07-06-2010	Placement of deposits with other banks by Primary (Urban) Co-operative Banks for availing clearing facility
29.	UBD.BPD.PCB.Cir.No.63/16.20.000/2009-10	04-05-2010	Investment in unlisted Non-SLR securities by Primary (Urban) Co-operative Banks
30.	UBD.BPD.PCB.Cir.No.62/16.20.000/2009-10	30-04-2010	Classification of investments in bonds issued by companies engaged in infrastructure activities
31.	UBD. (PCB).BPD.Cir.52/09.11.000/2009-10	05-04-2010	Maintenance of CSGL accounts
32.	IDMD/4135/11.08.43/2009-10	23-03-2010	Guidelines for accounting Repo/Reverse Repo transactions
33.	IDMD.DOD.05/11.08.38/2009-10	08.01.2010	Ready Forward Contracts in Corporate Debt Securities

Sr. No.	Circular No.	Date	Subject
34.	UBD(PCB).BPD.Cir.No.34/16.26.000/2009-10	17-12-2009	Banking Regulation Act, 1949 (AACS), Section 24-Investment in Government and other approved securities by UCBs
35.	UBD.BPD.(PCB).Cir.No.27/16.20.000/2009-10	03-12-2009	Master Circular on Investments by UCBs – Corrigendum
36.	IDMD.DOD.No.334/11.08.36/2009-10	20-07-2009	Ready forward contracts
37.	UBD BPD (PCB) No 47/16.20.000/08-09	30-01-09	Placement of deposits with other banks by primary (urban) cooperative banks (UCBs)
38.	UBD BPD (PCB) No 46/16.20.000/08-09	30-01-09	Investments in Non-SLR securities by primary (urban) cooperative banks
39.	UBD BPD (PCB) No 37/16.26.000/08-09	21-01-09	Banking Regulation Act 1949 (AACS)- Investments in Government and other approved securities by UCBs – Exemption under Section 24A
40.	UBD BPD (PCB) No 28/16.26.00/08-09	26-11-08	Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) Section 24-Investment in Government and other approved securities by Urban Co-operative Banks (UCBs)
41.	UBD BPD No:56 /16.20.000/07-08	17-06-08	Valuation of Non-SLR securities issued by the Government of India
42.	IDMD/ No. 3166/11.01.01(B)	01-01-08	WI transactions on Government Securities
43.	UBD BPD No:14/16.20.00/07-08	18-09-07	Investments in Non-SLR securities
44.	UBD BPD No: 7/ 09.29.000/2006-07	18-08-2006	'When issued' transactions in Govt. Securities
45.	UBD BPD No: 1/ 09.09.001/2006-07	11-07-2006	Priority Sector Lending – Investments in NHB / HUDCO
46.	UBD BPD No: 41/16.20.000/2005-06	29-03-2006	Investment portfolio of UCBs - valuation
47.	UBD BPD No: 31/13.01.000/2005-06	17-02-2006	Investment in Government Securities
48.	UBD BPD No: 41/16.20.000/2004-05	28-03-2005	Investment portfolio of UCBs - valuation
49.	UBD BPD No: 16/16.20.000/2004-05	02-09-2004	Investments – classification and valuation
50.	UBD BPD No: 49/09.80.00/2004-05	20-06-2005	Ready Forward Transactions
51.	UBD BPD No: 50/09.80.00/2004-05	20-06-2005	Govt Sec- T + 1 settlement
52.	UBD BPD No: 51/09.80.00/2004-05	20-06-2005	Settlement of securities on primary issues

Sr. No.	Circular No.	Date	Subject
53.	UBD.BPD.No.37/12.05.01/2004-05	26.02.2005	Investment portfolio of banks – Reporting system
54.	UBD.BPD.SUB.CIR.5/09.80.00/2003-04	28-04-2004	Transactions in Government Securities (DVP III)
55.	UBD.BPD.PCB.Cir.45/16.20.00/2003-04	15-04-2004	Investment in non-SLR debt securities by UCBs
56.	UBD.BPD.PCB.Cir.44/09.29.00/2003-04	12-04-2004	Sale of Govt. Securities allo UBD BPD No: 41/ 16.20.000/2004-05cated during the auctions for primary issues on the same day.
57.	UBD.BPD.PCB.Cir.42/09.11.00/2003-04	1-04-2004	Maintenance of CSGL Accounts
58.	UBD.BPD.PCB.Cir.35/13.05.00/2003-04	27-02-2004	Placement of deposits by NSCBs with strong sch UCBs
59.	UBD.BPD.PCB.Cir.34/13.05.00/2003-04	11-02-2004	Maximum limit on advances – limits on exposure to individual/group borrowers – Computation of capital funds
60.	UBD.BPD.PCB.Cir.33/09.11.00/2003-04	11-02-2004	Maintenance of CSGL Accounts
61.	UBD.BPD.PCB.FIR.26/16.20.00/2003-04	2-12-2004	Investment in shares of ICICI Bank Ltd.
62.	UBD.BPD.PCB.Cir.12/09.29.00/2003-04	04-09-2003	Investment Portfolio of UCBs – Guidelines for Investment Fluctuation Reserve
63.	UBD.BPD.Cir.No.11/09.29.00/2003-04	02-09-2003	Investment Portfolio of UCBs – Classification & Valuation of investments
64.	UBD.BPD.PCB.Cir.8/9.2900/2003-04	16-08-2003	Trading of Government Securities in Stock Exchanges
65.	UBD.BPD.Cir.No.1/09.11.00/2003-04	08-07-2003	Settlement in respect of Government Securities Transaction – Compulsory settlement through CCIL
66.	UBD.BPD.PCB.Cir.No.2/09.80.00/2003-04	08-07-2003	Scheme for Non-Competitive Bidding Facility in the Auction of Government of India dated securities
67.	UBD.PCB.56/09.29.00/2003-04	02-07-2003	Investment Portfolio of Banks – Transactions in Securities
68.	UBD.BPD.PCB.Cir.No.46/16.20.00/2002-03	17-05-2003	Placement of deposits by non-scheduled UCBs with Scheduled UCBs
69.	UBD.BPD.PCB.No.44/09.80.00/2002-03	12-05-2003	Guidelines for uniform accounting for Repo/Reverse Repo transactions
70.	UBD.BPD.PCB.Cir.No.39/09.29.00/2002-03	13.03.2003	Trading of Government Securities on Stock Exchange
71.	UBD.BP.No.35/16.26.00/2002-03	18-02-2003	Prices of Government Securities in the Secondary Market

Sr. No.	Circular No.	Date	Subject
72.	UBD.BPD.SPCB.No.9/09.29.00/2002-03	27-01-2003	Reconciliation Procedure for Government Loans
73.	UBD.POT.PCB.Cir.No.06/09.29.00/2002-03	06-08-2002	Investment Portfolio of UCBs – Transactions in Government Securities
74.	UBD.POT.PCB.Cir.No.5/09.29.00/02-03	22-07-2002	Investment portfolio of banks – transaction in securities
75.	UBD.POT.No.49/09.80.00/2001-02	17-06-2002	Ready Forward Contracts
76.	UBD.CO.POT.PCB.Cir.No.48/09.29.00/2001-02	11-06-2002	Certification of holding of securities in banks' investment portfolio
77.	UBD.BR.No.47/16.26.00/2001-02	07-06-2002	Investments in Government and other approved securities by UCBs
78.	UBD.PCB.Cir.No.46/09.29.00/2001-02	06-06-2002	Investment Portfolio of Banks –Transaction in Securities
79.	UBD.Plan.SCB.Cir.No.10/09.29.00/2001-02	26-04-2002	Investment Portfolio of Urban Banks – Transactions in Government Securities
80.	UBD.Plan.PCB.Cir.No.41/09.29.00/2001-02	20-04-2002	Investment Portfolio of Banks – Transactions in Securities
81.	UBD.BR.Cir.No.19/16.26.00/2001-02	22-10-2001	B,R.Act, 1949 (AACS) Section 24 – Investment in Government and other approved securities
82.	UBD.No.BR.6/16.26.00/2000-01	09-08-2001	B.R. Act, 1949 (AACS) Section 24 – Investment in Government and other approved securities
83.	UBD.No.CO.BSD.I.PCB.44/12.05.05/2000-2001	23-04-2001	Guidelines for Classification and Valuation of Investments by Banks
84.	UBD.No.BR.Cir/42/16.26.00/2000-01	19-04-2001	Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) - Section 24 - Investment in Government and other approved Securities by Urban Co-operative Banks (UCBS)
85.	UBD.No.43/16.20.00/2000-01	19-04-2001	Investment of Funds by Urban Co-operative Banks as deposits with other institutions and other Urban Co-operative Banks
86.	UBD.No.POT.Cir.PCB.39/09.29.00/ 2000	18-04-2001	Sale of Government Securities Allotted in the Auctions of Primary Issues
87.	UBD.No.Plan.PCB.Cir/22/09.29.00/ 2000-2001	30-12-2000	Investment Portfolio of banks - Transactions in securities - Role of brokers
88.	UBD.Plan.PCB.Cir/26/09.80.00/99-2000	28-03-2000	Ready Forward Contracts
89.	UBD.Plan.18/09.80.00/1999-2000	30-12-1999	Banks' own investment in State Government Loans - Payment of brokerage commission
90.	UBD.No.Plan.PCB.04/09.80.00/99-2000	25-08-1999	Ready Forward Transactions

Sr. No.	Circular No.	Date	Subject
91.	Ref. UBD No.BR. 26/18.20.00/98-99	07-04-1999	Investment of funds by primary (urban) co-operative banks in public sector undertakings/ companies
92.	UBD.No.Plan.PCB.DIR.3/09.80.00/98-99	17-08-1998	Reverse Ready forward transactions
93.	UBD.No.BR.1/16.20.00/98-99	10-07-1998	Investment by urban co-op. banks – Valuation of Investments – US – 64 units
94.	UBD No.61/16.20.00/97-98	04-06-1998	Investment of Investment by Urban Cooperative Banks - Valuation of Investment - US- 64 Units funds by primary (urban) co-operative banks in public sector undertakings/companies
95.	UBD.No.Pl.an.PCB/Cir.56/09.60.00/ 97-98	13-05-1998	Investment in Certificates of Deposit (CDs) by primary (urban) co-operative banks
96.	UBD.No.Plan.SUB.20/09.81.00/97-98	19-02-1998	Retailing of Government Securities
97.	UBD.No.BP.37/16.20.00/97-98	29-01-1998	Investment by Urban Co-operative Banks - Valuation of Investments
98.	UBD.No.BSD.I (PCB) 22/ 12. 05. 00 / 97-98	26-11-1997	Investment by Urban Co-operative Banks Valuation of Investments
99.	UBD.No.Plan.SUB.No.17/09.83.00/97-98	19-11-1997	Statistical data relating to investments in Money Market Instruments/ Government Securities
100.	UBD.No.Plan.PCB/Cir.21/09.60.00/97-98	11-11-1997	Investment in certificates of deposit (CDs) by Urban Co-operative Banks
101.	UBD.No.Plan.PCB.Cir.19/09.29.00/97-98	10-11-1997	Investment Portfolio of banks - Transactions in securities-Role of brokers
102.	UBD.No.Plan.PCB.56/09.60.00/96-97	06-06-1997	Investment in Certificates of Deposit (CDs) by Urban Co-operative Banks
103.	UBD.No.DS.SUB.CIR.7/13.07.00/96-97	07-01-1997	Investment of Surplus Funds by primary co-operative Banks in Bills Rediscounting Scheme
104.	UBD.No.Plan.PCB.34/09.29.07/96-97	30-12-1996	Investment portfolio of banks Transactions in securities
105.	UBD.No.Plan.PCB.No.30/09.82.00/96-97	27-11-1996	Investment by Urban Co-operative Banks in the Units of Unit Trust of India (UTI)
106.	UBD.No.Plan.PCB.19/09.29.00/96-97	11-09-1996	Investment portfolio of banks - System for custody and control of unused B. R. Forms
107.	UBD.No.Plan.PCB.7/09.60.00/96-97	19-07-1996	Investment in certificates of deposit by Urban Co-operative Banks
108.	UBD.No.Plan/PCB/69/09.29.00/95-96	21-06-1996	Investment portfolio of banks - Transactions in securities
109.	UBD.No.BR.Cir.52/16.20.00/95-96	16-03-1996	Investment of funds by Urban Co-operative Banks in Public Sector Undertakings/Companies

Sr. No.	Circular No.	Date	Subject
110.	UBD.No.Plan.PCB.47/09.60.00/95-96	29-02-1996	Investment in Certificates of Deposit (CDs) by Urban Co-operative Banks
111.	UBD.No.BR.12/16.20.00/95-96	06-01-1996	Investment of funds by urban co-operative banks in bonds of public sector Undertakings
112.	UBD.No.BR.Cir.33/16.26.00/95-96	03-01-1996	Banking Regulation Act, 1949 (As applicable to Co-operative Societies) Section 24-Investment in Government and other approved securities by primary co-operative banks
113.	UBD.No.Cir.63/16.26.00/94-95	16-06-1995	Banking Regulation Act, 1949 (As applicable to Co-operative Societies) Section 24-Investment in Government and other approved securities by primary co-operative banks
114.	UBD.No.BR.CIR.53/16.20.00/94-95	24-04-1995	Investment of funds by Urban Co-operative Banks in Public Sector Undertakings/Companies
115.	UBDNo.Plan.PCB.32/09.29.00/94-95	24-11-1994	Investment Portfolio of Banks - Transactions in Securities - Bank Receipts/Role of brokers
116.	UBD.No.Plan.PCB.29/09.80.00/94/95	09-11-1994	Ready Forward Transactions
117.	UBD.No.Plan.PCB.14/09.80.00/94-95	24-08-1994	Ready Forward Transactions
118.	UBD.BR.10/PCB(CIR)/16.20.00/9495	01-08-1994	Investment of funds by primary co-operative banks in public sector undertakings/companies
119.	UBD.BR.CIR.72/16.20.00/93-94	16-05-1994	Investment of funds by urban co-operative banks in public sector undertakings/companies
120.	UBD.No.PLAN (PCB).CIR.56/09.29.00/ 93-94	11-02-1994	Investment portfolio of banks - Transactions in Securities.
121.	UBD.No.Plan.51/09.29.00/93-94	20-01-1994	Investment portfolio of banks - Transactions in Securities - Bouncing of SGL transfer forms - Penalties to be imposed:
122.	UBD.No.3/09.29.00/93-94	02-08-1993	Investment port-folio of banks - Transactions in securities - Aggregate contract limit for individuals brokers - Clarifications
123.	UBD.No.Plan.74/UB.81-92/93	17-05-1993	Investment portfolio of banks - Transactions in securities
124.	UBD.No.Plan.13/UB.81/92-93	15-09-1992	Investments portfolio of banks Transactions in securities
125.	UBD.No.BR.1866/A.12(19)-87/88	13-06-1988	Investments of Funds by Urban Co-operative Banks as Deposits with Public Sector Undertakings/Companies/Corporations/Co-operative Institutions
126.	UBD.No.DC.84/R.1(B).87/88	13-02-1988	Bills Rediscounting Scheme - Rediscounting of bills with Banks and Financial Institutions

Sr. No.	Circular No.	Date	Subject
127.	UBD.No.BR.1455/A12(24)-85/86	31-05-1986	Banking Regulation Act, 1949 (as applicable to co-operative societies) - Section 24 - Investment in Units issued by the Unit Trust of India
128.	UBD.BR.871/A.12 (24)-84/85	10-05-1985	Banking Regulation Act, 1949 (as applicable to co-operative societies) - Section 24 - Investment made under national deposit scheme
129.	UBD.BR.498/A.12 (24) -84/85	08-01-1985	Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) Section 24 - Investment in Government and Other Trustee Securities by primary co-operative banks
130.	UBD.NO.DC.597/R.41-84/85	31-10-1984	7% Capital Investment Bonds
131.	UBD.P&O.1121/UB. -63-83/84	01-06-1984	Bank's own investment in central state government loans-payment of brokerage
132.	ACD.ID (DC) 1799/R.36/79/80	10-01-1980	Subscription/purchase of 7 year national rural development bonds
133.	ACD.ID. (DC) 1800/R.36-79/80	10-01-1980	Directive relating to subscription/purchase of 7 year national rural development Bonds
134.	ACD.BR.446/A.12 (19)/72-3	01-11-1972	Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) Section 19
135.	ACD.BR.463/A.12 (19)/70-7	09-11-1970	Banking Regulation Act, 1949 (As Applicable to Co-operative Societies): Section 19
136.	ACD.BR.1/A.12 (19)/68-9	01-07-1968	Section 19 of the Banking Regulation act 1949 (as applicable to co-operative societies): Restriction on holding shares in other co-operative societies
137.	ACD.BR.3/A.12 (19)/68-9	01-07-1968	Section 19 of the Banking Regulation Act, 1949 (as applicable to co-operative societies): Restriction on holding shares in other co-operative societies
138.	ACD.BR.903/A.12 (19)/67-8	22-12-1967	Banking Regulation Act, 1949 (as applicable to Co-operative Societies): Section 19: Restriction on holding of shares in other co-operative societies
139.	ACD.BR.388/A.11 (19) 65-6	01-03-1966	Section 19 of the Banking Regulation Act: Restriction on holding shares in other co-operative societies

B. List of Other Circulars from which instructions relating to Investments have also been consolidated in the Master Circular

Sr. No.	Circular No.	Date	Subject
1	UBD.No.POT.PCB.Cir.No.45/09.116.00/2000-01	25-04-2001	Application of Capital Adequacy Norms to Urban (Primary) Co-operative Banks
2	UBD.CO.No.BSD-I.PCB(Cir)34/12.05.05/99-2000	24-05-2000	Income Recognition, Asset Classification, Provisioning and Valuation of Investments
3	UBD.No.BSD.PCB./25/12.05.05/99-2000	28-02-2000	Income Recognition, Asset Classification, Provisioning and other related matters
4	UBD.No.I&L(PCBs)42/12.05.00/96-97	20-03-1997	Prudential norms - Income Recognition, Assets Classification, Provisioning and other related matters
5	UBD.No.I&L(PCBs)68/12.05.00/95-96	10-06-1996	Income Recognition, assets classification, provisioning and other related matters Clarifications
6	UBD.No.I&L(PCB)61/12.05.00/94-95	06-06-1995	Income recognition, asset classification, provisioning and other related matters Valuation of investment and others
7	UBD.No.I&L86/12.05.00/93-94	28-06-1994	Income recognition, assets classification, provisioning and other related matters
8	UBD.21/12:15:00/93-94	21-09-1993	Committee to enquire into various aspects relating to frauds and malpractices in banks primary (urban) co-operative banks
9	UBD.NO.I&L.38/J.1-92/93	09-02-1993	Income recognition, assets classification, provisioning and other related matters
10	UBD.BR.16/A.6-84/85	09-07-1984	Banking Law (Amendment) Act, 1983
11	ACD.Plan.358/UB.1-78/9	20-04-1979	Report on the committee on urban co-operative banks
12	ACD.BR.184/A.12(19)-78/9	23-08-1978	The Banking Regulation Act, 1949 (as applicable to co-operative societies) Section 10: Restriction on holding shares in other co-operative societies
13	ACD.BR.760/A.1/68-9	23-01-1969	The Banking Laws (Amendment) Act, 1968
14	ACD.BR. 464/A. 12(24)/68-9	12-11-1968	Section 24 of the Banking Regulation Act 1949 (As Applicable to Co-operative Societies): Maintenance of Percentage of Assets