



**“Investment, Cash Reserve Ratio(CRR)
and
Statutory Liquidity Ratio(SLR) Policy”**

THE JANATA CO-OPERATIVE BANK LTD.

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Investment, Cash Reserve Ratio(CRR) and Statutory Liquidity Ratio(SLR) Policy

The Investment Policy in vogue has been reviewed by the Investment Sub-Committee taking into consideration the guidelines/circulars issued by Reserve Bank of India to Urban Co-operative Banks on classification, valuation and operation of Investment Portfolio and approved by the BoM/Board in its meeting held on 25.08.2026/31.08.2026 vide Resolution No.A.1.(d)(vi) as under :

1. OBJECTIVE

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

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

The broad objectives of Investment operations are :-

- i) To deploy the surplus funds of the Bank after meeting credit/loan demands, fully and effectively.
- ii) To provide short-term liquidity to meet potential withdrawals of Deposits and/or increase in Loan/Credit Portfolio.
- iii) To maintain maturity pattern of investments consistent with the Bank need for funds and Asset Liability Management.
- iv) To ensure optimum utilization of scarce capital to achieve higher scale of business with lower Average risk weightage so that overall bank Capital Adequacy Ratio is improved with higher yield.

v) In case of other Approved/State Loans/Non SLR securities

To provide adequate diversification between:-

- a) Issuing Authorities
 - b) States
 - c) Security Types
 - d) Maturity Pattern
- vi) To seek maximum yield within reasonable level of risk in consonance with liquidity management and quality objectives.



2. ALLOCATION OF RESOURCES

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

Segments

Resource Allocation

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

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

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

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

4. CASH RESERVE RATIO

In terms of Section 18 of B.R. Act. 1949 (AACS) bank shall maintain in India on daily basis by way of cash reserve with itself; or by way of balance in current account with the Reserve Bank or the state co-operative bank of the State concerned; or by way of net balance in current accounts the amount of which shall not be less than 3% of NDTL, from the reporting fortnight beginning November 29, 2025 {Fortnight' means the period from the first day to the fifteenth day of each calendar month or sixteenth day to the last day of each calendar month which is effective from December 12, 2025 and shall submit in prescribed form, a return to Reserve bank of India on or before the 20th of the subsequent month.



5. STATUTORY LIQUIDITY RATIO(SLR)

The bank, in addition to the cash reserves which it is required to maintain under these Directions, shall maintain in India, assets, the value of which shall not, at the close of business on any day, be less than 18 percent of its total net demand and time liabilities in India as on the last day of the second preceding fortnight in accordance with the method of valuation specified by RBI from time to time.

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

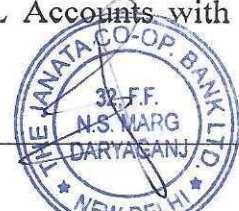
Provided that the instruments that have been acquired from Reserve Bank of India under reverse repo, shall be considered as eligible assets for SLR maintenance.

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

- a) securities lodged with another institution for an advance or any other credit arrangement to the extent to which such securities have not been drawn against or availed of;
- b) securities offered as collateral to the Reserve Bank for availing liquidity assistance under MSF up to the permissible percentage of the total NDTL in India, carved out of the required SLR portfolio of the bank concerned.
- c) Securities acquired by banks under RBI-LAF and market repo transactions.

Explanation- For the purpose of these Directions,

- i) a) Securities lodged in the Gilt Account of the bank maintained with HDFC Bank Ltd. under Constituent Subsidiary General Ledger account (CSGL) facilities remaining unencumbered at the end of any day can be reckoned for SLR purposes by the bank.
 - b) Funds borrowed under repo including tri-party repo in government securities shall be exempted from CRR/SLR computation and the security acquired under repo shall be eligible for SLR provided the security is primarily eligible for SLR as per the provisions of the Act under which it is required to be maintained.
 - c) Borrowings by a bank through repo in corporate bonds and debentures shall be reckoned as liabilities for Cash Reserve Ratio/ Statutory Liquidity Ratio requirement and, to the extent these liabilities are to the banking system, they shall be netted as per Section 42 (1) (d) of the RBI Act, 1934.
- ii) Investments in Government Securities only in CSGL Accounts with HDFC Bank Ltd.



6. i) CRR Return in Form - I

- a) The bank, not being a scheduled co-operative bank, shall submit a Return in Form I (Annex) together with Appendix I, to the regional office concerned of the Reserve Bank, not later than 20 days after the end of the month to which it relates showing the position, inter alia, of cash reserves maintained by the bank under Section 18 of the B.R. Act, 1949 read with Section 56, ibid, as at the close of business on last day of each Fortnight during the month. Where such alternate day is a public holiday under Negotiable Instruments Act, 1881 for one or more offices of the bank, the Return shall give the preceding day's figure in respect of such office or offices, but shall nevertheless be deemed to relate to last day of such Fortnight.
- b) The bank shall furnish in Appendix I, as per proforma given, along with the Return in Form I showing the position of the
 - (a) Cash Reserve to be maintained under Section 18 of the BR Act, 1949 (AACS)
 - (b) Cash Reserve actually maintained, and
 - (c) Extent of deficit / surplus, if any, for each day of the month
- c) Whenever there are wide variations between the sources and uses of funds as being reported in the fortnightly Return and the variations exceed 20 per cent, the banks concerned should give reasons therefor in the Return.

ii) SLR Return in Form - I

- a) The Bank shall submit a Return in Form I under Section 24 of the BR Act, 1949 (AACS) every month showing the position of liquid assets maintained under the said Section as at the close of business on last day of each fortnight during the month not later than twenty days after the end of the month to which it relates.
- b) The bank is required to furnish Appendix II, together with the Return in Form I showing the position of:-
 - (a) statutory liquid assets required to be maintained under Section 24 of the BR Act, 1949 (AACS).
 - (b) liquid assets actually maintained, and
 - (c) the extent of deficit/surplus for each day of the month.
- c) The Bank should furnish the information w.r.t. valuation of securities for SLR on Appendix III to Form I. The monthly Return should contain information of the fortnights following in the respective months.

iii) Correctness of computation of NDTL to be certified by Statutory Auditors

The Statutory Auditors shall verify and certify that all items of outside liabilities, as per the bank's books had been duly compiled by the bank and correctly reflected under NDTL in the fortnightly/monthly statutory returns submitted to Reserve Bank for the financial year.

iv) Register for daily position of liquidity

The banks shall maintain a register, showing the daily position of cash reserve and liquid assets maintained under Sections 18 and 24 of the Banking regulation Act, 1949 read with Section 56 thereof which shall be put up daily to Chief Executive Officer/Managing Director, who is responsible for ensuring compliance with the statutory liquidity requirements at the close of business every day.



7. DELEGATION OF AUTHORITY

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

8. PENALTIES FOR DEFAULT IN CRR AND SLR MAINTENANCE

- i) The bank shall be liable to pay the Reserve Bank of India, Penal interest as envisaged in Sub-section (1-A) of Section 18 read with Section 56 of the Banking Regulation Act. 1949, in daily balance of the CRR maintenance with bank falls below the prescribed CRR. Bank shall required to furnish the particulars such as date, amount, percentage, reason for default in maintenance of requisite CRR and also action taken to avoid re-occurrence of such default.

Under the provisions of Section 42(3A) of the RBI Act, 1934, penal interest at the increased rate of five per cent above the Bank Rate become payable and if the default still continues during the next succeeding fortnight

The bank failure to submit the prescribed Statutory Returns under Section 18 and 24 of the Banking Regulation Act. 1949 read with Section 56 thereof, attract the provision of Section 46 (4) of Banking Regulation Act.1949 As applicable to the Co-operative Societies(AACS) and the banks are liable to imposition of penalty as indicated therein.

- ii) Penalties on defaults in SLR maintenance on the failure of the bank to maintain as on any day, the amount of SLR required to be maintained by the bank, the bank shall be liable to pay the Reserve Bank of India in respect of that default, Penal interest as envisaged in Section 24 read with Section 56 of the Banking Regulation Act. 1949.
- iii) Failure to submit the prescribed return in time will attract the provision of Section 46 (4) of the Act *ibid*.
- iv) Penal Interest

Penal interest rates on shortfall in CRR and SLR requirements which are specially linked to the Bank rate would be as under w.e.f. 05.12.2025 as RBI Circular No.DoR.RET.REC.22/12.01.001/2025-26 dated June 06, 2025.

Bank Rate plus 3.0 percentage points (8.75 per cent) or Bank Rate plus 5.0 percentage points (10.75 per cent)

9. Categorisation of Investments

- i) Bank is required to classify their entire investment portfolio (including SLR and Non-SLR securities) under three categories viz. –
- a) Held to Maturity (HTM)
 - b) Available for Sale (AFS)
 - c) Held for Trading (HFT)

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



10. Held to Maturity (HTM)

- i) Securities acquired by the banks with the intention to hold them up to maturity shall be classified under HTM category.
- ii) Investments under HTM category shall not exceed 25 per cent of the bank's total investments.
- iii) Long-term bonds issued by companies engaged in infrastructure activities.

Provided that such bonds shall have minimum residual maturity of seven years at the time of investment.

Provided further that bank shall have the option to continue to classify these investments under HTM category even if the residual maturity falls below seven years subsequently.

- iv) Bank shall have the option to exceed the limit of 25 per cent of their total investments under HTM category provided the excess comprises of:
 - a) SLR securities. However, the total SLR securities held in the HTM category shall not be more than 25 per cent of the Bank's Net Demand and Time Liabilities (NDTL) as on the last day of the second preceding fortnight.
 - v) Profit on sale of investments from HTM category shall be first taken to the Profit and Loss account, and thereafter shall be appropriated to the 'Capital Reserve'. The amount so appropriated shall be net of taxes and the amount required to be transferred to statutory reserves. Loss on sale shall be recognized in the Profit and Loss account in the year of sale.

A. Held for Trading (HFT) and Available for Sale (AFS)

- i) Securities acquired with the intention to trade by taking advantage of the short-term price/interest rate movements shall be classified under HFT category. The investments classified under HFT shall be sold within 90 days.
- ii) Securities which do not fall under HTM or HFT categories shall be classified under AFS category.
- iv) Bank shall have the option to decide on the extent of investment holdings under AFS and HFT taking into account various aspects viz. basis of intent, trading strategies, risk management capabilities, tax planning, manpower skills, capital position, etc.
- iv) Profit or loss on sale of investments in HFT and AFS categories shall be taken to the Profit and Loss Account.



B. Shifting Among Categories in the Investment Portfolio

C. Shift to / from HTM

- i) Bank shall have the option to shift investments to/from HTM category with the approval of the Board of Directors once a year.

Provided that such shifting shall be done at the beginning of the accounting year.

- ii) **Provided further that** additional shifting to/from HTM category shall not be done during the remaining part of that accounting year. Transfer of securities from AFS / HFT category to HTM category shall be made at the lower of book value or market value.

Provided that where the market value is higher than the book value at the time of transfer, the appreciation shall be ignored, and the security shall be transferred at the book value.

Provided further that in cases where the market value is lower than the book value, the provision for depreciation held against the security (including the additional provision, if any, required based on valuation done on the date of transfer) shall be adjusted to reduce the book value to the market value and the security shall be transferred at the market value.

- iii) Transfer of securities from HTM to AFS / HFT category shall be subject to the following conditions:

- a) Security originally placed under the HTM category at a discount, shall be transferred to AFS / HFT category at the acquisition price / book value.
- b) Security originally placed under the HTM category at a premium shall be transferred to the AFS / HFT category at the amortised cost.
- c) Securities shall be immediately re-valued consequent to transfer and resultant depreciation, if any, shall be provided.

Note: Regarding (c)(i) above, bank shall not accrue the discount on the securities held under HTM category and such securities shall be held at acquisition cost till maturity.

- iv) Bank shall not sell securities held in HTM category. However, if due to liquidity stress Bank is required to sell securities from HTM portfolio and shall do so with the permission of the Board of Directors and rationale for such sale shall be clearly recorded.
- v) In case of transfers of securities to/from HTM category, Bank shall make disclosure in the 'Notes to Accounts' to the Financial Statements as provided in Reserve Bank of India (UCBs Financial Statements - Presentation and Disclosures) Directions, 2025.



D. Shift from AFS to HFT or Vice Versa

- i) Bank shall have the option to shift investments from AFS category to HFT category with the approval of their Board of Directors.

Provided that in case of exigencies, shifting can be done with the approval of the Managing Director/Chief Executive of the Bank, but shall be ratified by the Board of Directors.

- ii) Shifting of investments from HFT category to AFS category shall not be permitted.

Provided that the above prohibition shall not apply in exceptional circumstances where the bank is not in a position to sell the security within 90 days due to tight liquidity conditions, or extreme volatility, or market becoming unidirectional.

Provided further that such transfer shall be done only with the approval of the Board of Directors/Investment Committee.

- iii) In the case of transfer of securities from AFS to HFT category or vice-versa, the securities need not be re-valued on the date of transfer and the provisions for the accumulated depreciation, if any, held shall be transferred to the provisions for depreciation against the HFT securities and vice-versa.

11. Valuation of Investments

i) Held to Maturity (HTM)

- a) Investments classified under HTM category need not be marked to market (MTM)
- b) The investment shall be carried at acquisition cost provided that it is less than the face value of the security.
- c) If acquisition cost is more than face value, the premium arising out of difference between face value and acquisition cost shall be amortised over the period remaining to maturity.

Explanation : The book value of the security shall continue to be reduced to the extent of the amount amortised during the relevant accounting period.

ii) Held for trading (HFT) and Available for Sale (AFS)

- a) The individual securities in the HFT category shall be marked to market at monthly or at more frequent intervals.
- b) The individual securities in the AFS category shall be marked to market at quarterly or at more frequent intervals.
- c) The book value of individual securities in HFT and AFS shall not undergo any change after marking to market.
- d) Securities under AFS and HFT categories shall be valued security-wise and depreciation/appreciation shall be aggregated for purpose of arriving at net depreciation/appreciation of investments for each classification (viz. a) Government securities, b) other approved securities, c) Shares, d) Corporate Bonds, and e) others (to be specified)) separately for AFS and HFT. Net depreciation, if any, shall be provided for. Net appreciation, if any, should be ignored.
- e) Net depreciation required to be provided for in any one classification shall not be reduced on account of net appreciation in any other classification.



12. Market Value

The 'market value' for the purpose of periodical valuation of investments included in the AFS and the HFT categories shall be as under :

A. Quoted Securities

The 'market value' for the quoted securities shall be the prices declared by the Financial Benchmarks India Pvt. Ltd. (FBIL) in accordance with RBI circular on 'Taking over of valuation of Government Securities (G-Sec) by Financial Benchmark India Pvt. Ltd. (FBIL) - valuation of portfolios' dated March 31, 2018. For securities whose prices are not published by FBIL, market price of the quoted security shall be as available from the trades / quotes on the exchanges / reporting platforms / trading platforms authorized by RBI / SEBI and prices declared by Fixed Income Money Market and Derivatives Association of India (FIMMDA).

B. Unquoted SLR Securities

i) Central Government Securities

- a) Unquoted Central Government securities shall be valued on the basis of the prices/YTM rates put out by the FBIL.
- b) Treasury Bills shall be valued at carrying cost.

ii) State Government Securities

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

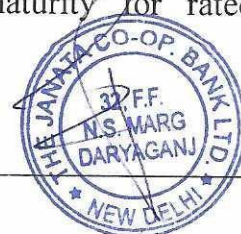
iii) Other Approved Securities

- a) Other approved securities shall 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.

C. Unquoted non-SLR Securities

i) Corporate Bonds

- a) All debentures/bonds shall be valued on the YTM basis.
- b) Debentures / bonds shall be valued by applying the appropriate mark-up over the YTM rates for Central Government securities as put out by FBIL/FIMMDA.
- c) The mark-up applied shall be determined based on the ratings assigned to the debentures/bonds by the credit rating agencies and shall be subject to the following:
 - (a) The mark-up shall be at least 50 basis points above the rate applicable to a Government of India security of equivalent maturity for rated debenture/bonds.



- (b) The rate used for the YTM for un-rated debentures/ bonds shall not be less than the rate applicable to rated debentures/bonds of equivalent maturity.

Provided that the mark-up for the un-rated debentures/bonds should appropriately reflect the credit risk borne by the bank.

- (c) Where the debentures/bonds are quoted and there have been transactions within 15 days prior to the valuation date, the value adopted shall not be higher than the rate at which the transaction is recorded on the exchanges/trading platforms/reporting platforms authorized by SEBI/RBI.

ii) Special Securities issued by the Government of India

The special securities [i.e., Oil Bonds, Fertiliser Bonds, bonds issued to the State Bank of India (during the 2008 rights issue), Industrial Finance Corporation of India Ltd., and Food Corporation of India], which are directly issued by the Government of India, and which do not carry SLR status, shall be valued at a spread of 25 basis points above the corresponding yield on Central Government Securities.

iii) Units of Mutual Funds

- a) Investments in un-quoted Mutual Funds Units shall be valued on the basis of the latest re-purchase price declared by the (Asset Management Company) in respect of each Scheme.
- b) In case of funds with a lock-in period or any other fund, where repurchase price/market quote is not available, units shall be valued at Net Asset Value (NAV) of the scheme. If NAV is not available, then these shall be valued at cost, till the end of the lock-in period.

iv) Commercial Paper and Certificate of Deposits

- i. Commercial paper and Certificate of Deposits shall be valued at the carrying cost.

v) Zero coupon bonds (ZCBs)

- a) ZCBs shall be valued in the books at carrying cost which shall be computed by adding the acquisition cost and discount accrued at the rate prevailing at the time of acquisition, which shall be marked to market with reference to the market value.
- b) In the absence of market value, the ZCBs shall be marked to market with reference to the present value of the ZCB.

Explanation: The present value of the ZCBs may be calculated by discounting the face value using the 'Zero Coupon Yield Curve', with appropriate mark up as per the zero-coupon spreads put out by FIMMDA/FBIL. In case the bank is still carrying the ZCBs at acquisition cost, the discount accrued on the instrument should be notionally added to the book value of the bond, before marking it to market.



vi) Securities issued by Asset Reconstruction Companies (ARC)

- a) Security Receipts (SRs) / Pass Through Certificates (PTCs) / other securities issued by ARCs, in lieu of transfer of stressed loans, shall be valued as per Reserve Bank of India (Urban Co-operative Banks – Transfer and Distribution of Credit Risk) Directions, 2025.

vii) Shares of Co-operative Institutions

- a) Investment in shares of co-operative institutions i.e. DSCB Ltd. from which Bank have regularly received dividends shall be valued at face value.
- b) Bank shall make full provision in respect of their investments in shares of co-operative institutions which have either gone into liquidation or have not declared dividend at all.
- c) In case the latest balance sheet of co-operative institutions is not available for more than 18 months, the shares shall be valued at Rs.1/- per co-operative institution.

Explanation: This provision shall not be applicable for contributions towards capital of Umbrella Organisation (UO) by the Bank.

13. TRANSACTIONS THROUGH CSGL ACCOUNTS

A. CSGL Account

- i) The bank is maintaining CSGL Account with HDFC Bank, Kasturba Gandhi Marg, New Delhi. All transactions in Government Securities for which CSGL facilities are available should be put through CSGL accounts only.
- ii) Before issue of CSGL transfer forms covering the sale transactions, bank should ensure that they have sufficient balance in the respective CSGL accounts. Under no circumstances, should an CSGL transfer form issued by a bank in favour of another bank, bounce for want of sufficient balance in the CSGL account. The purchasing bank should issue the cheques (or make payment by other eligible mode) only after receipt of the CSGL transfer forms from the selling bank.
- iii) 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 Bank shall be liable to pay penalties as under:

- a) Graded monetary penalties subject to a maximum penalty of Rs.5 lakhs per instance:

Sl. No.	Applicable to	Monetary penalty	Illustration [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/-

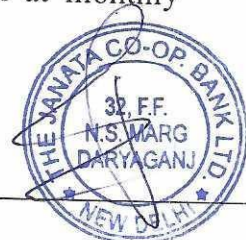


b) On the tenth default in a financial year, the bank will be debarred from using the SGL/CSGL A/c for undertaking short sales in Government securities even to the extent permissible under circular IDMD.No/11.01.01(B)/ 2006-07 dated January 31, 2007 as amended from time to time, during the remaining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

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

14. Control, Violation and Penalty Provisions

- i) Record of CSGL transfer forms issued/received should be maintained. Balances as per the bank books in respect of CSGL accounts should be reconciled with the balances in the books of HDFC Bank. The statement of Balance of CSGL Account can be obtained from the HDFC Bank on monthly basis for reconciliation of its CSGL balances as per its books and the position in this regard should be placed before the Audit Committee of the Board. This reconciliation should also be periodically checked by the internal audit department. A system for verification of the authenticity of the CSGL transfer forms received from other banks and confirmation of authorised signatories should be put in place.
- iii) Bank should also forward a quarterly certificate indicating that the balances held in the CSGL accounts with the HDFC Bank have been reconciled and that it has been placed before the Audit Committee of the Board. A copy thereof should be sent to the Regional Office concerned of the Department of Supervision, Reserve Bank of India.
- iv) Bank should put in place a system to report to the Management on a monthly basis the details of transactions in securities, details of bouncing of CSGL transfer forms issued by other banks and review of investment transactions undertaken during the period.
- v) All promissory notes, debentures, shares, bonds, etc. should be properly recorded and held under joint custody. A separate register may be maintained to record the particulars of securities taken out/re-lodged. These should be subjected to periodical verification, say once in a quarter or half-year, by persons unconnected with their custody.
- vi) Certificates should be obtained at quarterly/half-yearly intervals in respect of securities lodged with other institutions. Similarly, it is necessary to reconcile the outstanding Bank Receipts with the counter-party at monthly intervals and reconciliation of CSGL Account balance with the HDFC Bank at monthly intervals.



vii) 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.

viii) The concurrent auditors should certify that investments held by the bank, as on the last reporting Friday of each quarter and as reported to Reserve Bank, are actually owned/held by it as evidenced by the physical securities or the outstandings statement. Such a certificate should be submitted to the Regional Office of Department of Cooperative Banks Supervision having jurisdiction over the bank, within 30 days from the end of the relative quarter.

15. Non-SLR Instruments

i) Bank shall have the option to invest in the following instruments under their non-SLR portfolio :

a) "A" or equivalent and higher rated corporate bonds.

Provided that : In addition to the minimum rating prescribed above and comparable market yields for the residual duration, Bank shall not invest in deep discount / zero coupon bonds unless the issuer builds up a sinking fund for all accrued interest and keeps it invested in liquid investments / securities (Government securities).

b) "A2" or equivalent and higher rated Commercial Papers (CPs), and Certificate of Deposits (CDs)

c) Units of Debt Mutual Funds and Money Market Mutual Funds.

Provided that a UCB shall ensure that it does not have disproportionate exposure in any one mutual fund scheme of an Asset Management Company (AMC) or to mutual fund schemes of any one AMC.

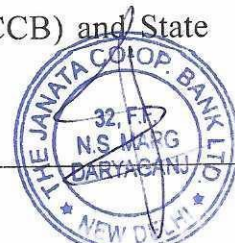
d) Equity shares of Market Infrastructure Companies (MICs) for acquiring membership.

Explanation: The MICs eligible for investments by a UCB are Clearing Corporation of India Ltd., National Payments Corporation of India, and Society for Worldwide Interbank Financial Telecommunication.

e) Equity shares of Umbrella Organization of Urban Co-operative Bank sector for acquiring membership.

f) SRs / PTCs / other securities issued by ARCs received as consideration towards transfer of stressed loans in terms of provisions of Reserve Bank of India (Urban Co-operative Banks – Transfer and Distribution of Credit Risk) Directions, 2025. A UCB shall not make any direct investment in the SRs / PTCs / other securities issued by ARCs;

g) Equity Shares of concerned Central Co-operative Bank (CCB) and State Co-operative Bank (StCB).



ii) Bank shall not invest in the following non-SLR instruments:

- a) Perpetual debt instruments.
 - b) Units of Mutual Funds, other than units of Debt Mutual Funds and Money Market Mutual Funds.
 - c) Instruments with an original maturity of less than one year, except units of Debt Mutual Funds and Money Market Mutual Funds, CPs and CDs.
 - d) Shares of bodies or organizations other than in the co-operative sector, unless specifically permitted by RBI.
- iii) Acquisition / sale of non-SLR investments in secondary market may be undertaken with scheduled commercial banks, primary dealers, mutual funds, pension / provident funds and insurance companies.

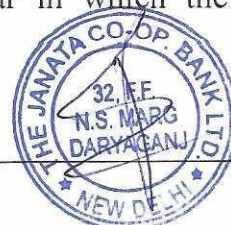
16. Prudential Limit

- i) Investments in non-SLR securities shall be limited to 10 per cent of the bank's total deposits as on March 31 of the previous year subject to maximum Exposure fixed by the Board from time to time for single party and group of connected parties i.e. Rs.230.00 Lakh & Rs.385.00 Lakh respectively. The investment made for subscribing to the capital of the Umbrella Organization (UO), Equity shares of Market Infrastructure Companies (MICs), Umbrella Organization (UO) of UCB Sector, and CCBs / StCBs, if it becomes necessary to do so for acquiring membership of these entities shall be exempted from the limit prescribed.

The Steering Committee constituted by NAFCUB had suggested contribution by respective Bank @ Rs.0.10 per Rs.100/- of asset size as at the end of previous year i.e. 0.10% of asset size alternatively. If bank considers contributing @ Rs.0.10% of the total assets of the bank, it will be only with the approval of the Board.

A. Investment in shares of co-operative societies shall be subject to the following limits and conditions:

- i) The total investments of the bank in the shares of co-operative institutions shall not exceed 2 per cent of its owned funds (paid-up share capital and reserves);
- ii) The investment of the bank in the shares of any one co-operative institution coming under (1) above shall not exceed 5 per cent of the subscribed capital of that institution;
- iii) The bank shall invest in the shares of a co-operative society only if the bye-laws of the recipient society provide for the retirement of share capital contributed by it; and
- iv) The retirement of the share capital contributed by the bank to the shares of any society shall be completed in 10 equal annual instalments commencing from the financial year immediately following the year in which the concern commences business or production.



- v) Equity shares of Market Infrastructure Companies (MICs), Umbrella Organization (UO) of UCB Sector, and CCBs / StCBs, if it becomes necessary to do so for acquiring membership of these entities;

Explanation: When more than one co-operative bank (UCB or RCB) contributes to the shares in a co-operative society, the limit of 5 per cent of the subscribed capital indicated above shall apply in respect of the investment of all the banks taken together, i.e., the total investment of all the co-operative banks should be limited to 5 per cent of the subscribed capital of the enterprise concerned.

B. The Bank shall have the option to exceed the limits prescribed in paragraphs 104, 105, and 106 in respect of the following investments:

- i) Shares of co-operative societies as permitted under Section 19 of the Banking Regulation Act, 1949, read with Section 56 thereof, i.e., i shares acquired through funds provided by the state government for that purpose;
- ii) the holding of shares in the central co-operative bank to which it is affiliated or in the state co-operative bank of the state in which it is registered; and
- iii) shares of 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 to accommodate their offices, etc.
- iv) Investments in SRs / PTCs / other securities as referred in paragraph 101(6) of these Directions; And
- v) PNCPS and Equity Warrants arising from Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022.

C. All non-SLR investments shall be subject to the prescribed prudential single / group counter party exposure limits.

D. Review of Non-SLR Investments

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

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



E. Disclosure

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

F. Placement of deposits with other banks by Bank

- i) The bank is permitted to accept deposits from a non-scheduled UCB.

Provided that the deposits accepted by bank from another non-scheduled UCB shall be part of an arrangement for providing clearing and / or remittance facility to the latter UCB.

Provided further that bank shall not accept deposits from another non-scheduled UCB which are in the nature of investment.

- ii) Bank shall not place deposits with public sector undertakings / companies / corporations / co-operative institutions (other than co-operative banks).

- iii) Bank shall not place deposits with State Governments by way of deposits in treasury savings accounts.

G. Inter-bank (gross) exposure limit

The total amount of deposits placed by the bank with other banks (inter-bank) for all purposes including call money/ notice money, and deposits, if any, placed for availing clearing facility, CSGL facility, currency chest facility, remittance facility and non-fund based facilities like Bank Guarantee, Letter of Credit, etc. shall not exceed 20 per cent of its total deposit liabilities as on March 31 of the previous year. The balances held in deposit accounts with commercial banks (including scheduled Small Finance Banks), scheduled Banks, State Cooperative Banks, District Central Cooperative Banks and investments in Certificate of Deposits issued by commercial banks, being inter bank exposures, will be included in this 20 per cent limit.

H. 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.

I. Acceptance of deposits

Bank will not accept deposit from other Banks. Bank should review half yearly i.e. March & September position for placement of deposits with other banks keeping in view the prudential limits provided in part 18.6 & 18.7 above and place it before the BoD/BoM.



17 Prudential Systems/Controls

A. Internal Control System

- i) To ensure a robust internal control mechanism in respect of investment transactions, shall, ensure the following:
 - a) There shall be a clear functional separation of (i) trading, (ii) settlement, (iii) monitoring and control, and (iv) accounting.
 - b) There shall be a functional separation of trading and back-office functions relating to banks' own Investment Accounts, and other Constituents accounts, if any.
 - c) All transactions shall be monitored to see that delivery takes place on settlement day. The fund account and investment account shall be reconciled on the same day before close of business.
 - d) Deal Slips shall be serially numbered, properly accounted for and shall contain all the details of the deal such as name of the counterparty, details of security, amount, price, contract date and time, settlement date, confirmation mode to the counterparty, whether it is direct deal or through a broker, and if through a broker, name of the broker, brokerage payable etc. Back-office shall monitor timely receipt of confirmation from the counterparty, except where the requirement is waived off in terms of circular IDMD.No.766/ 10.26.65A/2005-06 dated August 22, 2005 and circular FMRD.FMID.01/ 14.01.02/2014-15 dated December 19, 2014.”.
 - e) The books of accounts shall be updated independently, 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.
 - f) Checks and balances such as periodic reconciliation of the investment book not later than once a quarter, procedure for recording, verification and passing vouchers, contract verification, valuation of portfolios, monitoring of prudential limits and risk limits, and monitoring of cancelled deals shall be put in place. Processes and controls for compliance with legal and regulatory requirements of reporting deals on various platforms shall be put in place.
 - g) Notwithstanding paragraph 14.3(vii) of these Directions, securities held in physical form, if any, shall be properly recorded, held under joint custody and shall be subjected to quarterly verification by persons unconnected with their custody.
 - h) CSGL Account balance shall be reconciled with the balances in the books of HDFC Bank Ltd. at least at monthly intervals. Similarly, certificates shall be obtained at quarterly/half-yearly intervals in respect of securities lodged with other institutions. If the number of transactions so warrant, the reconciliation shall be undertaken at more frequent intervals.
 - i) It will be ensured that the stockbrokers as directors on the Board of bank or in any other capacity, do not involve themselves in any manner with the Investment Committee or in the decisions about making investments in shares, etc., or advances against shares.



- j) Transactions in money market instruments (call/notice/term money, CPs, CDs, repo in corporate bonds and Government securities etc.), derivatives (wherever allowed) and other instruments shall be undertaken as per instructions issued by the Reserve Bank of India from time to time.
- k) Bank will adhere to the FIMMDA code of conduct while executing trades in Government securities on NDS-OM and in the OTC market.

B. Engagement of Brokers

Bank will not undertake any purchase/sale transactions with broking firms

C. Investment Accounting

i) Accounting Standards

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

ii) Broken Period Interest - Government and Other Approved Securities

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

b) 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.

c) Accounting Procedure for investments in Government Securities – Settlement Date Accounting

With a view to bringing in uniformity in the practice adopted by bank while accounting for investments in Government Securities, banks shall follow "Settlement Date" accounting for recording both outright and ready forward purchase and sale transactions in Government Securities.



18. Audit, Review and Reporting

A. Audit

- i) Treasury functions viz. investments, funds management including inter-bank borrowings, bills rediscounting, etc. should be subjected to concurrent audit and the results of audit shall be placed before the Managing Director/Chief Executive of the Bank at monthly intervals.
- ii) The concurrent audit shall, at the minimum:
 - a) Ensure that in respect of purchase and sale of securities, the concerned department has acted within its delegated powers.
 - b) Ensure 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 in CSGL from where applicable.
 - c) Ensure that the sale or purchase transactions are done at rates beneficial to the bank.
 - d) Scrutinize conformity with broker limits and include excesses observed in their periodical reports.
 - e) Specific observations on the compliance with instructions on transaction in Government Securities, prudential limits on non-SLR securities and prudential limits on placement of deposits.

Explanation: Any adverse observations of concurrent auditors shall also be incorporated in the half yearly review of the investment portfolio placed before the Board of Directors.

- iii) The Concurrent audit shall cover the transactions in securities on an ongoing basis, monitor compliance with the laid down management policies / prescribed procedures and report the deficiencies directly to the management.
- iv) Monthly reconciliation of CSGL account balance with HDFC Bank Ltd. and shall be periodically checked by the internal auditors and placed before the Investment Committee of the Board.
- v) Bank will report on monthly basis to the Investment Committee of the Board, giving the details of trades on aggregate basis done on the exchanges and details of any 'closed-out' transactions on the exchanges.
- vi) The results of Concurrent audit shall be placed before the Board of Directors once in every quarter.



B. Review/ Reporting

- i) The Investment Committee of the Bank shall actively oversee investment transactions and undertake a monthly review of investment transactions and review, including the details of large transactions shall be put up to the BoM/Board once a month, for information.
- ii) Bank will forward a quarterly certificate to the PDO concerned, indicating that the balances held in the CSGl accounts with the HDFC Bank Ltd. have been reconciled and that it has been placed before the Audit Committee of the Board as required in paragraph 17.1(d) of these Directions.
- iii) Bank will undertake a half-yearly review (as of March 31 and September 30) of their investment portfolio which shall be placed before the Board within two months, i.e., by end-May and end-November. The review shall, at the minimum, cover operational aspects of investment portfolio including reconciliation of CSGl accounts with HDFC Bank Ltd., CSGl bouncing, amendments made to the investment policy, irregularities observed in all audit reports, position of compliance thereto and certify adherence to the laid down internal Investment Policy and procedures and Reserve Bank's guidelines.
- iv) A copy of the half-yearly review report put up to the Board shall be forwarded to the concerned Regional Office of Department of Supervision by June 15 and December 15 respectively.

B. Penalties for Violation

Violation of these instructions will invite penal action against defaulting bank 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. Therefore, Bank will scrupulously follow the above instructions.

19. Accounting and Provisioning

A. Income Recognition

- i) Bank shall recognize income on accrual basis for the following:
 - a) Government Securities and corporate bonds, where interest rates on the instruments are predetermined provided the interest is serviced regularly and is not in arrears.
 - b) Securities of corporate bodies/public sector undertakings in respect of which the payment of interest and repayment of principal have been guaranteed by the Central Government or a State Government, where interest rates on the instruments are predetermined provided the interest is serviced regularly and as such is not in arrears.
 - c) Shares of corporate / co-operative institutions, provided the dividend has been declared by the corporate body in its Annual General Meeting and the owner's right to receive payment is established.



- ii) Income from units of mutual funds (debt mutual funds and money market mutual funds) shall be booked on cash basis.
- iii) In respect of investments in Government securities and approved securities, Bank shall 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.

Explanation : This accounting treatment does not take into account the tax implications and Bank shall comply with the requirements of income tax authorities as prescribed.

20. Investment Fluctuation Reserve (IFR)

A. Creation of IFR and Minimum Requirement

- i) Bank will make suitable provision for depreciation in the value of investments held under 'AFS' or 'HFT' categories out of current profits of the bank (i.e., charge the same to the Profit & Loss Account) and show the same as "Investment Depreciation Reserve (IDR).
- ii) In the event that IDR created on account of depreciation in investments, as provided in paragraph 21.1(a) above, is found to be in excess of the required amount in any year, the excess shall 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) shall be appropriated to the IFR Account.
- iii) In addition to as provided in paragraph 21.1(b) above, Bank shall build IFR out of realised gains on sale of investments, subject to availability of net profit.
- iv) The bank shall maintain minimum IFR of 5 per cent of the investment portfolio. This minimum requirement shall be assessed annually and shall be computed with reference to book value of investments in HFT and AFS categories as of the balance sheet date. The bank may, at its discretion, build up a higher percentage of IFR depending on the size and composition of its portfolio, with the approval of its Board.
- v) Bank shall transfer maximum amount of the gains realised on sale of investment in securities to the IFR until it meets the minimum IFR requirement of 5 per cent. Transfer to IFR shall be as an appropriation of net profit after appropriation to Statutory Reserve.
- vi) IFR shall be eligible for inclusion in Tier II capital.
- vii) The Bank shall ensure that the unrealised gains on valuation of the investment portfolio are not taken to the Income Account or to the IFR.



B. Draw-down from IFR

- i) 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.
- ii) In the event the balance in the IFR is less than 5 per cent of its investment in AFS & HFT, a draw down shall 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 Mark to Market provisions made during the aforesaid year exceed the net profit on sale of investments during that year.
- iii) Accounting Principles
 - a) IDR required to be created on account of depreciation in the value of investments held under 'AFS' or 'HFT' categories in any year (as stated in para 22.1(a) above) shall 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.
 - b) 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 (as stated in para 22.1(a) and 22.1(b) above) shall be debited and credited respectively under the head "Expenditure - Provisions & Contingencies".
 - c) The amounts appropriated from the Profit & Loss Account/ to IFR, and the amount transferred from IFR to the Profit & Loss Account to meet depreciation requirement on investments shall be shown as 'below the line' extraordinary item after determining the profit for the year.

Explanation : IFR is created out of appropriation of net profits or reversal of excess IDR as provided in paragraph 24.1(b) and 19.1(c) above. IDR is a provision created by charging the diminution in value of investments 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.



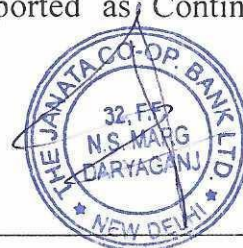
21. Non-Performing Investments (NPI)

- i) In respect of securities where interest/principal is in arrears, the Bank shall not reckon income on the securities and shall also make appropriate provisions for the depreciation in the value of the investment. Bank shall not set-off the depreciation requirement in respect of these non-performing securities against the appreciation in respect of other performing securities.
- ii) The criterion used to classify an asset as Non-Performing Asset (NPA) shall be used to classify an investment as Non-Performing Investment (NPI) i.e., an NPI is one where Interest/ installment (including maturity proceeds) is due and remains unpaid for more than 90 days.
- iii) In the event the investment in the shares of co-operative institutions is valued at Re.1 per institution on account of the non-availability of the latest financial position in accordance i.e. page 14 g(iii) of these Directions, those shares shall be reckoned as NPI.
- iv) 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 shall also be treated as NPI and vice versa.
- v) In case of conversion of principal and/or interest into equity, debentures, bonds, etc., such instruments shall be treated as NPA ab initio in the same asset classification category as the loan, if the loan's classification is substandard or doubtful on implementation of the restructuring package and provision shall be made as per the norms.
- vi) Government guaranteed investment
 - a) Investment in State Government Guaranteed securities, shall attract prudential norms for identification of NPI and provisioning, when interest/ installment of principal (including maturity proceeds) or any other amount due to the bank remains unpaid for more than 90 days.
 - b) Bank investments in bonds guaranteed by Central Government shall not be classified as NPI until the Central Government has repudiated the guarantee when invoked. However, this exemption from classification as NPI is not for the purpose of recognition of income.

22. Distinction between IFR and Investment Depreciation Reserve (IDR)

IFR created out of appropriation from the realised net profits and forms part of the reserves of the bank qualifying under Tier II capital.

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



23. Modifications/Additions in Policy.

Any modification/addition in the Investment Policy will be taken up and review to effect and incorporate changes, arising as result of changes in monetary fiscal & regulatory policy of the Government of India, Reserve Bank of India & Registrar of Co-operative Societies from time to time. It is clarified that bank will endeavor to meticulously adhere to the provisions of the Direction No.DOR.MRG.REC.No.203/00-00-11/2025-26 November 28, 2025 and its amended Direction No.DOR.MRG.REC.No.75/00-00-011/2026-27 May 18, 2026 on investment by Primary (Urban Co-operative Banks) as updated from time to time.

24. Conclusion.

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

For The Janata Co-operative Bank Ltd.

(P.S. Pathania)
Managing Director

