

Prudential norms of Investment

Preamble:

These prudential norms shall be applicable for making investments pertaining to the investible funds in relation to the company's own surplus, deposits / advances received from members and other market participants, Core settlement guarantee fund (Core SGF), receipts / collections for and on behalf of any government / regulatory / statutory authorities / bodies / agencies etc. including any funds / surplus / monies / corpus generated / collected / received by the Company from any other parties / agencies / intermediaries etc.

However, this prudential policy shall not be applicable for making investments in relation to any funds / surplus / monies / corpus generated / collected / received where any specific framework / guidelines / directives / stipulations etc. have been issued by any of the Court / government / regulatory / statutory authorities / bodies / agencies etc. In such cases said framework / guidelines / directives / stipulations as laid down shall be followed.

Applicability

These prudential norms shall be applicable separately for the following heads:

- i. NCL's own funds.
- ii. Core SGF corpus.

Instruments

The instruments in which investments may be made are Treasury Bills, Government Securities, Units of Mutual Funds (Overnight Cash Management Schemes, Liquid Schemes) and Fixed Deposit with Banks.

Maturity Profile/Ratio of Long-term and Short-term Investment

The maturity profile of the securities in investment portfolio may depend entirely on the liquidity requirements and attractiveness of returns.

Fixed Deposits with Banks

(A) Criteria for selection of Banks

- i. Minimum net worth of the bank shall be INR 10,000 Crores.
- ii. Banks with unsupported long-term rating of AA and above or banks issuing unsupported long-term instrument with rating of AA and above (excluding rating of bonds issued by the Bank for the purpose of capital requirements under the

Basel III). Banks issuing unsupported long-term instrument with rating below AA, shall not be eligible for this purpose.

In case of foreign banks, an equivalent credit rating on the global credit rating scale (equivalent to AA and above rating by domestic Credit Rating Agencies (CRAs)) may be considered for assessment of the credit worthiness of the bank;

iii. In case, credit rating is obtained by Banks from multiple CRAs, the most conservative rating shall be considered for this purpose.

iv. Meet the capital adequacy requirements prescribed by Reserve Bank of India (RBI) from time to time; and

v. Banks which are not under Prompt Corrective Action (PCA) Framework of RBI.

(B) Single Bank exposure limits

a) The exposure of NCL and its subsidiaries towards banks through Cash, FDs and BGs must be adequately diversified, and daily exposure to a single bank shall not exceed:

i. 15% of the average daily exposure of previous three months considering all liquid assets of NCL, for banks with AAA rating; and

ii. 10% of the average daily exposure of previous three months considering all liquid assets of NCL, for banks with AA (include both AA and AA+) and above rating but below AAA.

b) At the end of every month, the average daily exposure in liquid assets shall be calculated based on the exposure of previous three months. The single bank exposure limit for the next month would be based on this average daily exposure. The same shall be monitored on daily basis.

c) In order to have operational flexibility, the daily exposure may be extended by 5%. In those cases, the NCL shall record the reasons for such increase in exposure and ensure to bring down the daily exposure to a single bank to 15% (or 10% as the case may be) on monthly average basis on priority.

d) limit for investment per Bank will be as follows:

Sr. No.	Particulars	Norms / Limits		
1.	Total Exposure in any particular bank	Sr. No.	Networth of the Bank (latest available)	Limit for investment (cumulative)
		1	More than Rs.10,000 crores and upto Rs.15,000 crores	Rs.150 crores
		2	More than Rs.15,000 crores and upto Rs.20,000 crores	Rs.200 crores
		3	More than Rs.20,000 crores and upto Rs.25,000 crores	Rs.250 crores
		4	Above Rs.25,000 crores and upto Rs.50,000 crores	Rs.500 crores
		5	Above Rs.50,000 crores and upto Rs.75,000 crores	Rs.750 crores
		6	Above Rs.75,000 crores and upto Rs.100,000 crores	Rs.1000 crores
		7	Above Rs.100,000 crores and upto Rs.150,000 crores	Rs.1500 crores
		8	Above Rs.150,000 crores and upto Rs.200,000 crores	Rs.2000 crores
		9	Above Rs.200,000 crores	Rs.2500 crores

Further, transaction limit for Investment purpose will continue to be pegged to the balance limit available in respect of the Bank.

Investment in units of Mutual Fund

Investment may be made in Overnight cash Management schemes, liquid schemes of mutual funds. *Investments made by CCs in units of Overnight and Liquid Mutual Fund Schemes shall not exceed a limit of 10% of the total investible resources held in CCs' own funds and Core SGF corpus separately, at any point in time*

The investment in auto fixed deposits may be considered while calculating investible surplus. Investments will be made only in Mutual Fund house having a total AUM of above Rs 10,000 Crs at the time of investments. However, the total exposure in any single liquid schemes may not exceed 10% of the Asset Under Management (AUM) or Rs 200 Crores in any scheme of the Mutual Fund as disclosed at the time of investment whichever is lower.

Investment in Government Securities/Treasury Bills

Investments may be made in Government Securities (excluding State Development Loans) and Treasury Bills. No limits may be applicable to Government Securities and Treasury Bills.