



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA



www.rbi.org.in

RBI/2023-24/96

DOR.MRG.REC.01/00-00-011/2023-24

April 1, 2023

All Primary (Urban) Co-operative Banks

Madam / Sir,

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

The Reserve Bank of India has, from time to time, issued several guidelines / instructions / directives to the banks on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Primary (Urban) Co-operative Banks (UCBs).

2. To enable UCBs to have current instructions at one place, a [Master Direction](#) incorporating all the existing guidelines / instructions / directives on the subject has been prepared for reference of the banks.

3. This Direction has been issued by RBI in exercise of its powers conferred under Section 35A of the Banking Regulation Act 1949 read with Section 56 thereof, and of all the powers enabling it in this behalf.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

DOR.MRG.REC.02/00-00-011/2023-24

April 1, 2023

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

In exercise of the powers conferred under Section 35 A read with Section 56 of the Banking Regulation Act, 1949 (hereinafter called the Act), the Reserve Bank of India (hereinafter called the Reserve Bank), being satisfied that it is necessary and expedient in the public interest to do so, hereby, issues the Directions hereinafter specified.

Chapter I: Preliminary

1 Short title and commencement

- a) These Directions shall be called the Reserve Bank of India (*Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks*) Directions, 2023.
- b) These Directions shall come into effect from April 1, 2023.

2 Applicability

These Directions shall apply to all Primary (Urban) Co-operative Banks (UCBs).

3 Definitions

3.1 In this Master Direction unless the context otherwise requires:

- (a) “**Approved Securities**” shall have the same meaning as defined in Section 5(a) of the Banking Regulation Act, 1949.
- (b) “**Available for Sale**” (AFS) means the category of investment portfolio of banks, which do not fall within the HTM or HFT category.
- (c) “**Carrying cost**” in the context of zero-coupon discounted instruments such as Treasury Bills, Commercial Paper, Certificate of Deposits and Zero-Coupon Bonds is the acquisition cost adjusted for the discount accrued at the rate prevailing at the time of acquisition.
- (d) “**Certificate of Deposit**” shall have the same meaning as defined in Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021 issued vide [FMRD.DIRD.03/14.01.003/2021-22 dated June 4, 2021](#), as amended from time to time.
- (e) “**Corporate bonds**” for the purpose of these Directions mean debt securities which create

or acknowledge indebtedness, including (i) debentures (ii) bonds and such other securities of a company, a multilateral financial institution (MFI) or a body corporate constituted by or under a Central Act or a State Act, whether constituting a charge on the assets of the company or body corporate or not, but does not include debt securities issued by Central Government or a State Government, or such other persons as may be specified by the Reserve Bank, Certificate of Deposit, Commercial Paper, security receipts and securitized debt instruments.

- (f) **“Commercial Paper”** shall have the same meaning as defined in Reserve Bank Commercial Paper Directions, 2017 issued vide [FMRD.DIRD.2/14.01.002/2017-18 dated August 10, 2017](#), as amended from time to time.
- (g) **“Current or Valid Rating”** for the purpose of determining rated security means a credit rating granted by a credit rating agency in India, registered with SEBI and fulfilling the following conditions:
- i. The credit rating letter and rating rationale from the credit rating agency shall preferably be part of offer document.
 - ii. The credit rating letter shall not be more than one month old and rating rationale shall not be more than one year old from the date of opening of issue.
 - iii. In the case of secondary market acquisition, the credit rating of the issue shall be in force and confirmed from the monthly bulletin published by the respective credit rating agency.
- (h) **“Derivative”** shall have the same meaning as assigned to it in section 45U(a) of the RBI Act, 1934.
- (i) **“Exchange”** means “Recognized stock exchange” and shall have the same meaning as defined in Section 2 (f) of Securities Contracts (Regulation) Act, 1956.
- (j) **“Government security”** shall have the same meaning as assigned to it in Section 2(f) of the Government Securities Act, 2006.
- (k) **“Held to Maturity”** (HTM) means the category of investment portfolio maintained by the banks with intention to hold securities upto maturity.
- (l) **“Held for Trading”** (HFT) means the category of investment portfolio maintained by the banks with intention to trade in securities by taking advantage of the short- term price/interest rate movements.
- (m) **“Listed security”** is a security which is listed on an exchange.

- (n) “**Primary co-operative banks**” shall have the same meaning as defined under clause (ccv) of subsection 1 of section 56 of the Banking Regulation Act, 1949 (hereinafter referred to as ‘Urban Co-operative Banks’ or ‘UCBs’).
- (o) “**Quoted Security**” is a security for which market prices are available at exchanges / reporting platforms / trading platforms authorized by RBI / SEBI.
- (p) “**Rated Security**” means a security which is subjected to a detailed credit rating exercise by a credit rating agency, which is registered with SEBI and shall carry current or valid credit rating.
- (q) “**Reconstitution**” means the reverse process of stripping, where the individual STRIPS i.e., both coupon STRIPS and Principal STRIPS are reassembled to get back the original security, as defined in circular on Government Securities - Separate Trading of Registered Interest and Principal of Securities (STRIPS) issued vide [IDMD.1762/2009-10 dated October 16, 2009](#), as amended from time to time.
- (r) “**Repo**” and “**Reverse Repo**” shall have the same meaning as defined in Section 45U of RBI Act, 1934. For the purpose of these Directions, the word ‘repo’ is used to mean both ‘repo’ and ‘reverse repo’ with the appropriate meaning applied contextually.
- (s) “**Securities**” shall have the same meaning as defined in Section 2(h) of Securities Contracts (Regulation) Act, 1956.
- (t) “**Security Receipts**” shall have the same meaning as defined in Section 2(1)(zg) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- (u) “**Securitized debt instrument**” means securities of the nature referred to in Section 2(h)(ie) of the Securities Contracts (Regulation) Act, 1956.
- (v) “**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.
- (w) “**Short Sale**” shall have the same meaning as defined in Short Sale (Reserve Bank) Directions, 2018 issued vide [FMRD.DIRD.06/CGM \(TRS\)-2018 dated July 25, 2018](#), as amended from time to time.
- (x) “**Statutory Liquidity Ratio (SLR) Securities**” shall have the same meaning as defined in Reserve Bank of India [Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)] Directions – 2021 issued vide [DOR.No.RET.REC.32/12.01.001/2021-22 dated July 20,](#)

[2021](#), as amended from time to time.

- (y) “**STRIPS**” (Separate Trading of Registered Interest and Principal of Securities) means distinct, separate securities that are created from the cash flows of a Government security and shall consist of (i) Coupon STRIPS, where the single cash flow of the STRIP represents a coupon flow of the original security; and (ii) Principal STRIP, where the single cash flow of the STRIP represents the principal cash flow of the original security, as defined in circular on Government Securities - Separate Trading of Registered Interest and Principal of Securities (STRIPS) issued vide [IDMD.1762/2009-10 dated October 16, 2009](#), as amended from time to time.
- (z) “**Stripping**” means the process of separating the cash flows associated with a regular Government security i.e., each outstanding semi-annual coupon payment and the final principal payment into separate securities, as defined in circular on Government Securities - Separate Trading of Registered Interest and Principal of Securities (STRIPS) issued vide [IDMD.1762/2009-10 dated October 16, 2009](#), as amended from time to time.
- (aa) “**Unrated securities**” means securities which do not have a current or valid rating by a credit rating agency registered with SEBI.
- (bb) “**When, as and if issued**” (commonly known as ‘when-issued’ (WI)) security means a security as referred to in When Issued Transactions (Reserve Bank) Directions, 2018 issued vide [FMRD.DIRD.04/CGM \(TRS\)-2018 dated July 24, 2018](#), as amended from time to time.
- 3.2 All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) or the Reserve Bank of India Act, 1934 and rules/regulations made thereunder, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Chapter II: General Guidelines

4.1 Investment Policy

- a) UCBs shall adopt a comprehensive investment policy duly approved by the Board of Directors. The Investment Policy shall be in accordance with the size, complexity of business, risk management capabilities, human resource and IT infrastructure, and other such factors relevant for the UCBs.
- b) The investment policy shall, at the minimum, include:
 - i. The investment criteria and objectives to be achieved while undertaking investment transactions while keeping in view the various regulatory/statutory guidelines and the bank's own internal requirements.
 - ii. Securities in which investments can be made.
 - iii. Derivatives in which the UCBs having Authorised Dealer's licence, wherever allowed, can transact.
 - iv. The authority to put through deals.
 - v. Procedure for obtaining the sanction of the appropriate authority and putting through deals.
 - vi. Adherence to various prudential exposure limits including quantity (ceiling) and quality of each type of security to be held on its own investment account.
 - vii. Policy regarding internal control mechanism, accounting standards, audit, review, dealings through brokers, systems for management of various risks, guidelines for valuation of the portfolio and the reporting systems.
 - viii. Nature and extent of investments intended to be made in non-SLR securities, the risk management systems for capturing and analysing the risk parameters, stop-loss limits for holding / divesting the investments and remedial measures.
 - ix. Proper risk management systems for making investment in non-SLR securities which shall include entry-level minimum credit ratings/ quality standards and industry-wise, maturity-wise, duration-wise, issuer-wise, etc., limits to mitigate the adverse impact of concentration and liquidity risk.
- c) The Investment Policy shall be reviewed at least annually.

4.2 General Instructions

- a) UCBs shall undertake all transactions in securities only on their own investment account.

UCBs shall 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.

- b) Investment proposals shall be subjected to the same degree of credit risk analysis as any loan proposal.
- c) UCBs shall refer to the list of defaulters obtained from Credit Information Companies while taking investment decisions.
- d) UCBs shall make their own internal credit analysis and credit rating even in respect of rated issues and shall not entirely rely on the ratings of external credit rating agencies. The appraisal shall be more stringent in respect of investments in instruments issued by non-borrower customers.
- e) UCBs shall ensure robust internal credit rating systems which shall also include building up of a system of regular (quarterly or half-yearly) tracking of the financial position of the issuer to ensure continuous monitoring of the rating migration of the issuers/issues
- f) UCBs shall settle the transactions in securities and derivatives, wherever allowed, as per procedure prescribed in notifications/directions/guidelines issued by the concerned regulator.
- g) UCBs shall hold their investments in securities only in dematerialized form.
- h) Unless permitted specifically in these Directions, UCBs shall not hold an oversold position in any security.

Chapter III: Classification of Investments

5 Categorization of Investments

- (a) UCBs shall classify their entire investment portfolio (including SLR securities and non-SLR securities) under three categories, viz., 'Held to Maturity' (HTM), 'Available for Sale' (AFS) and 'Held for Trading' (HFT).
- (b) UCBs shall decide the category of the investment at the time of acquisition and the decision shall be recorded on the investment proposals.

6 Held to Maturity (HTM)

- (a) Securities acquired by the banks with the intention to hold them up to maturity shall be classified under HTM category.
- (b) Investments under HTM category shall not exceed 25 per cent of the bank's total investments.
- (c) Investments in following securities are eligible for inclusion under HTM category:
 - i. SLR securities upto the extent permitted.
 - ii. Non-SLR securities included under HTM category before September 18, 2007.
 - 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.

- (d) UCBs shall have the option to exceed the limit of 25 per cent of their total investments under HTM category provided the excess comprises of:
 - i. SLR securities. However, the total SLR securities held in the HTM category shall not be more than 25 per cent of the UCB's NDTL as on the last Friday of the second preceding fortnight.
 - ii. investments made by UCBs under Targeted Long-term Repo Operations (TLTRO) as specified by the Reserve Bank of India.
- (e) 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.

7 Held for Trading (HFT) and Available for Sale (AFS)

- (a) 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.
- (b) Securities which do not fall under HTM or HFT categories shall be classified under AFS category.
- (c) UCBs 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.
- (d) Profit or loss on sale of investments in HFT and AFS categories shall be taken to the Profit and Loss Account.

Chapter IV: Shifting Among Categories in the Investment Portfolio of UCBs

8 Shift to / from HTM

- (a) UCBs 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.

- (b) **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.

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

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

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

- (d) UCBs shall not sell securities held in HTM category. However, if due to liquidity stress UCBs are required to sell securities from HTM portfolio, they shall do so with the permission of their Board of Directors and rationale for such sale shall be clearly recorded.
- (e) In case of transfers of securities to/from HTM category, UCBs shall make disclosure in the 'Notes to Accounts' to the Financial Statements as provided in Annexure III.C(3)(c) of

[Reserve Bank of India \(Financial Statements - Presentation and Disclosures\) Directions, 2021 dated August 30, 2021](#), as amended from time to time.

9 Shift from AFS to HFT or Vice Versa

- (a) UCBs 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 Chief Executive of the Bank, but shall be ratified by the Board of Directors.

- (b) 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.

- (c) 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.

Chapter V: Valuation of Investments

10 Valuation Standards

(a) Held to Maturity (HTM)

- i. Investments classified under HTM category need not be marked to market (MTM)
- ii. The investment shall be carried at acquisition cost provided that it is less than the face value of the security.
- iii. 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.

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

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

- i. The individual securities in the HFT category shall be marked to market at monthly or at more frequent intervals.
- ii. The individual securities in the AFS category shall be marked to market at quarterly or at more frequent intervals.
- iii. The book value of individual securities in HFT and AFS shall not undergo any change after marking to market.
- iv. 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.
- v. Net depreciation required to be provided for in any one classification shall not be reduced on account of net appreciation in any other classification.

11 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:

11.1 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 FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018](#), as amended from time to time. 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).

11.2 Unquoted SLR Securities

(a) Central Government Securities

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

(b) State Government Securities

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

(c) Other Approved Securities

- i. 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.

11.3 Unquoted non-SLR Securities

(a) Corporate Bonds

- i. All debentures/bonds shall be valued on the YTM basis.
- ii. 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.
- iii. 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.

(b) Special Securities¹ issued by the Government of India

- i. The special securities, which are directly issued by the Government of India and which do not carry SLR status, shall be valued at a spread of 25 bps above the corresponding yield on Government of India securities.

(c) Units of Mutual Funds

- i. Investments in un-quoted Mutual Funds Units shall be valued on the basis of the latest re-purchase price declared by the Mutual Funds in respect of each Scheme.
- ii. 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.

(d) Commercial Paper and Certificate of Deposits

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

(e) Zero coupon bonds (ZCBs)

- i. 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.
- ii. 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

¹ Special Securities at present comprise 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.

added to the book value of the bond, before marking it to market.

(f) Securities issued by Asset Reconstruction Companies (ARC)

- i. The SRs / PTCs / other securities issued by ARCs, in lieu of transfer of stressed loans, shall be valued as per paragraph 75-79 of the [Reserve Bank of India \(Transfer of Loan Exposures\) Directions, 2021 dated September 24, 2021](#), as amended from time to time.

(g) Shares of Co-operative Institutions²

- i. Investment in shares of co-operative institutions from which UCBs have regularly received dividends shall be valued at face value.
- ii. UCBs 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.
- iii. In case the latest balance sheet of co-operative institutions is not available for more than 18 months, the shares shall be valued at Re. 1/- per co-operative institution.

(h) Equity Warrants arising from Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022

- i. Equity Warrants shall be valued at a price of ₹1 per warrant. As and when the equity warrants are converted into equity shares, the valuation shall be done on market determined prices.

² This provision shall not be applicable for contributions towards capital of Umbrella Organisation (UO) by UCBs. The regulatory approval for formation of UO for UCB sector was accorded vide letter DCBR.CO.LS/3679/07.12.000/2018-19 dated June 06, 2019.

Chapter VI: Investments in Government Securities

12 Transaction in Government Securities:

UCBs shall adhere to the following instructions while transacting in Government Securities:

(a) General Instructions

- i. UCBs can invest / transact in Government Securities by participating in auctions conducted by RBI (primary issuance), or by participating in secondary market transactions through (i) Negotiated Dealing System-Order Matching (NDS-OM) (anonymous online trading) or (ii) Over the Counter (OTC) and reported on NDS-OM or (iii) NDS-OM-Web and (iv) Exchanges.
- ii. Transactions in Government Securities shall be done through Subsidiary General Ledger (SGL) account, Gilt account opened with entities eligible to open CSGL account with RBI or dematerialised account with an exchange or depository (NSDL/CDSL).
- iii. Bank Receipt or similar receipt should not be issued or accepted by the UCBs under any circumstances in respect of transactions in government securities.
- iv. For the purpose of maintaining Statutory Liquidity Ratio (SLR) required under Section 24 of the Banking Regulation Act, 1949 read with Section 56 thereof, UCBs shall refer to the [Reserve Bank of India Directions, - 2021 on Cash Reserve Ratio \(CRR\) and Statutory Liquidity Ratio \(SLR\) dated July 20, 2021](#), as amended from time to time.
- v. While undertaking OTC transactions in Government securities, UCBs shall seek a scheduled commercial bank, a Primary Dealer (PD), a financial institution, UCB, insurance company, mutual fund or provident fund, as a counterparty for their transactions³. 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.

(b) Membership of NDS-OM

- i. All licensed UCBs fulfilling the eligibility criteria contained in [circular IDMD.DOD.No.13/10.25.66/2011-12 dated November 18, 2011](#) on “Direct Access to Negotiated Dealing System - Order Matching (NDS-OM)” as amended from time to time and meeting the applicable minimum CRAR, are allowed direct access to Negotiated Dealing System – Order Matching platform.

³ This instruction shall not be applicable for transactions undertaken on screen-based trading system of the exchanges or an approved electronic trading platform.

- ii. Eligible UCBs desirous of obtaining NDS-OM membership shall 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.
- iii. UCBs, which do not have direct access to NDS-OM, shall undertake their transactions in Government Securities through gilt account / demat account maintained with a NDS member. Such UCBs maintaining gilt account may seek access to web-based NDS-OM module through the Primary Member (i.e. entity with which gilt account is maintained) for online trading in Government securities in the secondary market in terms of [circular FMRD.DIRD.07/14.03.007/2016-17 dated October 20, 2016](#), as amended from time to time.

(c) Subsidiary General Ledger (SGL) Account

- i. UCBs having an SGL account shall not open / maintain a gilt account with a CSGL account holder.

(d) Gilt Account

- i. UCBs having a gilt account shall use its gilt account for transactions in government securities and such accounts shall be maintained in the same bank with whom the cash account is maintained.
- ii. In case UCB has a gilt account with any of the eligible non-banking institutions, the particulars of the designated funds account (with a bank) shall be intimated to that non-banking institution.

(e) Settlement of transactions in government securities

- i. For transactions through SGL/gilt accounts, UCBs shall report / conclude their transactions on NDS / NDS-OM and clear / settle them through CCIL as central counterparty. In cases where exceptions have been permitted to tender physical SGL transfer forms, UCBs shall adhere to the guidelines provided in paragraph 6.2 of Section I of [Master Direction IDMD.PDRD.01/03.64.00/2016-17 dated July 1, 2016](#), as amended from time to time.
- ii. The settlement of primary auctions in government securities shall be in terms of [circular IDMD.PDRD.No.1393/03.64.00/2008-09 dated September 19, 2008](#), as amended from time to time. The settlement of secondary market transactions in government securities shall be in terms of [circulares IDMD.PDRS./4783/10.02.01/2004-05 dated May 11, 2005](#) and [FMRD.DIRD.06/14.03.007/2014-15 dated March 20, 2015](#), as

amended from time to time.

- iii. Any default in delivery of security/funds in an SGL sale /purchase transaction, even if completed through the securities / funds shortage handling procedure of CCIL, shall be submitted to PDO, RBI immediately. In case of SGL bouncing, UCB shall be liable to pay penalties as per [circular IDMD.DOD.17/11.01.01\(B\)/2010-11 dated July 14, 2010](#), as amended from time to time.
- iv. UCBs shall follow "Settlement Date" accounting for recording purchase and sale of transactions in Government Securities.

(f) Investment in Government Security through primary auction

- i. UCBs shall have the option to submit bids in the competitive auctions for issue of Government Securities as per guidelines prescribed in [IDMD.2592/08.01.01/2017-18 dated April 09, 2018](#), as amended from time to time.
- ii. UCBs shall have the option to participate through non-competitive bidding facility in auctions of:
 - a. Dated Government of India securities and Treasury Bills in terms of scheme on 'Auction of Government Securities - Non-competitive Bidding Facility to Retail Investors' issued vide [circular IDMD.1080/08.01.001/2017-18 dated November 23, 2017](#), as amended from time to time.
 - b. State Development Loans (SDLs) in terms of scheme on 'Auction of State Development Loans: Non-Competitive Bidding Facility to Retail Investors' issued vide [circular dated IDMD.No.1240/10.18.049/2019-20 dated November 7, 2019](#), as amended from time to time.

(g) Sale of Government Securities allotted in primary issues on the same day

UCBs shall adhere to the guidelines issued vide [circulares IDMC.PDRS.No.PDS.1/03.64.00/2000-01 dated October 6, 2000](#), [IDMD.PDRS.4777/10.02.01/2004-05 dated May 11, 2005](#) and [IDMD.PDRD.188/03.64.00/2012-13 dated July 16, 2012](#), as amended from time to time, for undertaking sale of securities allotted in primary issues on the same day.

(h) Sale of Government Security already contracted for purchase

- i. Scheduled UCBs shall have the option to sell a Government security already contracted for purchase in terms of [circular IDMD.PDRS.05/10.02.01/2003-04 dated March 29, 2004](#) on 'Transactions in Government Securities', as amended from time to

time.

(i) Short sale in Government Securities

- i. UCBs fulfilling the following conditions shall have the option to undertake intra-day short sale in Government Securities.
 - a. NDS-OM membership
 - b. Net-worth of ₹25 crore
 - c. Applicable minimum CRAR
 - d. Net NPA of not more than 3%
 - e. Sound risk management practices and
 - f. Concurrent audit of Treasury Operations (as required in paragraph 17.1 of these Directions)
- ii. Except as provided in these Directions, UCBs shall adhere to the Directions as prescribed in Short Sale (Reserve Bank) Directions, 2018 issued vide [FMRD.DIRD.05/14.03.007/2018-19 dated July 25, 2018](#), as amended from time to time.

(j) Transaction in Government Securities on When Issued Basis

- i. While undertaking “When Issued” (WI) transactions, 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](#), as amended from time to time.
- ii. 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 security-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. On delivery, the underlying security shall 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

(k) Value Free Transfer of Securities

- i. Value Free Transfer (VFT) in government securities shall be in terms of 'Value Free Transfer (VFT) of Government Securities - Guidelines' issued vide [circular IDMD.CDD.No.S930/11.22.003/2021-22 dated October 5, 2021](#), as amended from time to time.

(l) Investment in Government Securities through Exchanges

- i. UCBs shall have the option to undertake transactions in Government securities through exchanges, in addition to the existing mode of dealing through SGL/CSGL accounts with Reserve Bank or gilt accounts with the designated entities.
- ii. For this purpose, UCBs shall have the option to open a demat account with a bank depository participant (DP) of NSDL/CDSL or with SHCIL.
- iii. The Boards of UCBs shall also ensure that investment policy of the UCB provides for operations being conducted in accordance with the norms laid down by Reserve Bank/SEBI and the respective exchange.
- iv. UCBs shall put in place appropriate internal control systems, install enabling IT infrastructure and adequate risk management systems to cater to exchange trading and settlement. The back-office arrangement shall be able to easily track trading on the NDS-OM/OTC market and on the exchanges for settlement, reconciliation and management reporting.
- v. UCBs shall use only SEBI registered brokers who are authorized by the permitted exchanges (NSE/BSE) to undertake transactions in Government Securities for placing buy/sell orders, subject to the guidelines on transactions done through brokers as provided in paragraph 16 of these Directions. A valid contract note indicating the time of execution shall be obtained from the broker at end of day.
- vi. All transactions shall be monitored with a view to ensuring timely receipt of funds and securities. Any delay or failure shall be promptly taken up with the exchange/authorities concerned.
- vii. At the time of trade, securities shall be available with the banks either in their SGL or in the demat account with depositories, except as allowed in paragraph 12(i) of these Directions.
- viii. Any settlement failure on account of non-delivery of securities/non-availability of clear

funds shall be treated as SGL bouncing and the current penalties in respect of SGL bouncing shall be applicable.

(m) Repo / Reverse Repo in Government Securities

- i. Repo transactions (including reverse repo transactions) entered by UCBs shall be subject to guidelines specified in Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 issued vide [circular FMRD.DIRD.01/14.03.038/2018-19 dated July 24, 2018](#), as amended from time to time.

(n) Retailing of Government Securities

- i. Scheduled UCBs shall have the option to undertake business of retailing of Government Securities, provided that:
 - a. Such retailing shall be on outright basis and there shall be no restriction on the period between sale and purchase.
 - b. The retailing of Government Securities shall be on the basis of ongoing market rates/ yield curve emerging out of secondary market transactions.
 - c. UCBs shall adhere to guidelines issued by RBI on retailing of government securities, from time to time.

(o) Separate Trading of Registered Interest and Principal Securities (STRIPS)

Stripping / reconstitution of Government Securities shall be subject to the conditions laid down in guidelines [IDMD.DOD.07/11.01.09/2009-10 dated March 25, 2010](#), as amended from time to time provided that accounting and valuation of such transactions shall be done as per instructions contained in [Annex I](#).

Chapter VII: Investment in Non-SLR Securities

13 Non-SLR Instruments

(a) UCBs shall have the option to invest in the following instruments under their non-SLR portfolio:

i. "A" or equivalent and higher rated corporate bonds.

Note: In addition to the minimum rating prescribed above and comparable market yields for the residual duration, UCBs 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).

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

iii. Units of Debt Mutual Funds and Money Market Mutual Funds.

Note: UCBs shall ensure that they do not have disproportionate exposure in any one scheme of a Mutual Fund or to any one mutual fund.

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

Note: The MICs eligible for investments by UCBs are Clearing Corporation of India Ltd., National Payments Corporation of India and Society for Worldwide Interbank Financial Telecommunication (SWIFT). The list of eligible MICs will be updated from time to time by the Reserve Bank of India.

v. Equity shares of Umbrella Organization of UCB sector for acquiring membership.

vi. Security Receipts (SRs) / Pass Through Certificates (PTCs) / other securities issued by Asset Reconstruction Companies (ARCs) received as consideration towards transfer of stressed loans in terms of provisions of Master Direction - Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, [DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021](#). UCBs shall not make any direct investment in the SRs/ PTCs/ other securities issued by ARCs.

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

viii. Share of co-operative societies as permitted under Section 19 of the Banking Regulation Act, 1949 read with Section 56 thereof.

Note: UCBs shall also refer to 'Restriction on Holding Shares in Other Co-operative

Societies' issued vide circular ACD.BR.388/A.11(19)65-6 dated March 1, 1966, as amended from time to time⁴.

- (b) UCBs shall not invest in the following non-SLR instruments:
- i. Perpetual debt instruments.
 - ii. Units of Mutual Funds, other than units of Debt Mutual Funds and Money Market Mutual Funds.
 - iii. Instruments with an original maturity of less than one year, except units of Debt Mutual Funds and Money Market Mutual Funds, CPs and CDs.
 - iv. Shares of bodies or organizations other than in the co-operative sector, unless specifically permitted by RBI.
- (c) 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.

13.1 Prudential Limit

- (a) 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.
- (b) Investment in unlisted non-SLR securities shall be subject to a minimum rating prescribed at paragraph 13(a)(i) and 13(a)(ii) above and shall not exceed 10 per cent of the bank's total non-SLR securities as on March 31 of the previous year.

Note: Investments in non-SLR securities (both primary and secondary market) by banks where the security is proposed to be listed in the Exchange(s) shall be considered as investment in listed security at the time of making investment. In case such security is not listed within the period specified between issuance and listing, the same shall 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 shall not make further investments in non-SLR securities (both primary and secondary market) till such time its investment in unlisted non-SLR securities comes within the limit of 10 per cent.

- (c) UCBs shall have the option to exceed the limits prescribed in paragraph 13.1(a) and 13.1(b) in respect of the following investments:

⁴ Instructions issued vide circular ACD.BR.388/A.11(19)65-6 dated March 1, 1966, as amended from time to time are reproduced in [Annex II](#).

- i. Equity shares of Market Infrastructure Companies (MICs), Umbrella Organization (UO) of UCB Sector and CCB / StCBs, if it becomes necessary to do so for acquiring membership of these entities.
- ii. Shares of co-operative societies as permitted under Section 19 of the Banking Regulation Act, 1949 read with Section 56 thereof.

Note: UCBs shall however continue to adhere to the limits prescribed in 'Restriction on Holding Shares in Other Co-operative Societies' issued vide circular ACD.BR.388/A.11(19)65-6 dated March 1, 1966, as amended from time to time⁵.

- iii. Investments in SRs / PTCs / other securities as referred in paragraph 13(a)(vi) of these Directions
 - iv. PNCPS and Equity Warrants arising from Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022.
- (d) All non-SLR investments shall be subject to the prescribed prudential single/group counter party exposure limits.

13.2 Repo in Corporate bonds

- (a) Only the Scheduled UCBs, fulfilling the following conditions shall be eligible to undertake repo transactions in corporate bonds.
 - i. Applicable minimum CRAR plus 1 per cent;
 - ii. gross NPA of less than 5 per cent;
 - iii. continuous record of profits during the previous three financial years; and
 - iv. Sound risk management practices; and
 - v. Concurrent audit of the Investment portfolio (as required in paragraph 17.1 of these Directions).
- (b) While undertaking repo transactions, the eligible UCBs shall adhere 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](#), as amended from time to time.
- (c) The Repo transactions in corporate bonds shall be undertaken only with scheduled commercial banks / PDs and not with other market participants.

Note: The instruction in paragraph 13.2(c) above shall not be applicable for

⁵ Instructions issued vide circular ACD.BR.388/A.11(19)65-6 dated March 1, 1966, as amended from time to time are reproduced in [Annex II](#).

transactions undertaken on the screen-based trading system of the exchanges or an approved electronic trading platform.

13.3 Transactions in Commercial Papers (CPs) and Certificates of Deposits (CDs)

- (a) In addition to the limit prescribed in paragraph 13(a)(ii) of these Directions, investment in CPs shall be as per guidelines given in Reserve Bank Commercial Paper Directions, 2017 issued vide [circular no. FMRD.DIRD.2/14.01.002/2017-18 dated August 10, 2017](#), as amended from time to time.
- (b) Investment in CDs shall be as per guidelines given in Master Direction - Reserve Bank of India (Certificate of Deposit) Directions, 2021 issued vide [circular no. FMRD.DIRD.03/14.01.003/2021-22 dated June 4, 2021](#), as amended from time to time.

13.4 Trading and Settlement in Corporate Bonds

- (a) Trades in listed corporate bonds shall be executed as per guidelines issued by SEBI.
- (b) All the secondary market OTC trades in corporate bonds shall be reported within fifteen minutes of the trade on any of the exchanges.
- (c) All OTC trades in corporate bonds shall be cleared and settled through the National Securities Clearing Corporation Ltd. (NSCCL) or Indian Clearing Corporation Ltd. (ICCL) or MCX-SX Clearing Corporation Ltd. (MCX-SX CCL) as per the norms specified by the NSCCL, ICCL and MCX-SX CCL from time to time.

13.5 Other requirements

- (a) UCBs shall ensure that credit facilities for activities/purposes precluded by RBI regulations are not financed through investment in non-SLR securities or placement of deposits.
- (b) UCBs 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](#).

13.6 Role of Boards

- (a) The Board shall review the following aspects of non-SLR investment at least at quarterly intervals:
 - i. Total business (investment and divestment) during the reporting period.
 - ii. Compliance with prudential limits prescribed by the Board for non-SLR investment.
 - iii. Compliance with the prudential guidelines issued by Reserve Bank on Non- SLR investment.

- 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.

Chapter VIII: Placement of Deposits with other banks / institutions

14 Placement / acceptance of Deposits

- (a) Scheduled UCBs fulfilling the criteria provided in paragraph 14.2 of these Directions are permitted to accept deposits from scheduled/ non-scheduled UCBs.

Provided that the deposits accepted by permitted scheduled UCBs from other scheduled UCBs shall be 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.

Provided further that Scheduled UCBs shall not accept deposits from other scheduled UCBs which are in the nature of investment.

- (b) Non-scheduled UCBs fulfilling the criteria provided in paragraph 14.2 of these Directions are permitted to accept deposits from non-scheduled UCBs.

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

Provided further that non-scheduled UCBs shall not accept deposits from other non-scheduled UCBs which are in the nature of investment.

- (c) UCBs shall not place deposits with public sector undertakings / companies / corporations / co-operative institutions (other than co-operative banks).
- (d) UCBs shall not place deposits with State Governments by way of deposits in treasury savings accounts.

14.1 Prudential Limits

- (a) 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 (BG), Letter of Credit (LC), etc, shall not exceed 20% of its total deposits as on March 31 of the previous year. The balances held in deposit accounts with commercial banks, scheduled UCBs, State Cooperative Banks, Central Cooperative Banks and investments in Certificates of Deposit issued by commercial banks, being inter-bank exposures, shall be included in this 20% limit.

- (b) Inter-bank counter party limit: Within the prudential inter-bank (gross) exposure limit prescribed in paragraph 14.1(a) above, deposits placed by an UCB with any single bank shall not exceed 5 per cent of its total deposits as on March 31 of the previous year.
- (c) Inter-UCB Deposit limit: The total inter-UCB deposits accepted by a UCB shall not exceed 10% of its total deposits as on 31st March of the previous financial year.

14.2 Acceptance of Deposits by UCBs

- (a) As per paragraph 14(a) and 14(b) of these Directions, UCBs fulfilling the following criteria shall have the option to accept deposits from other UCBs:
 - i. Applicable minimum CRAR plus 1 per cent.
 - ii. Gross NPAs of less than 7% and Net NPAs of not more than 3%.
 - iii. Net profit for at least three out of the preceding four years subject to it not having incurred a net loss in the immediately preceding year.
 - iv. No default in the maintenance of CRR / SLR during the preceding financial year.
 - v. Sound internal control system with at least two professional directors on the Board.
 - vi. Core Banking Solution (CBS) fully implemented.
- (b) UCBs which have accepted deposits from other UCBs but subsequently fail to meet the criteria provided in paragraph 14.2(a) above shall phase out the deposits as under:
 - i. 10% of deposits by March 31 of the financial year in which the UCB became ineligible to accept such deposits, and 40%, 70% and 100% by the end of the following financial years.
 - ii. During the phase-out period, such UCBs shall not accept further deposits from UCBs and shall neither open new deposit accounts of UCBs. The renewal of existing deposits is allowed subject to compliance with phase out plan mentioned above.
 - iii. in case the concerned UCB again attains the criteria prescribed in paragraph 14.2(a), it shall be eligible to accept deposits from UCBs and will not be required to implement the phase out plan.

14.3 Provisioning on interbank exposure of UCBs

- (a) The interbank exposures arising from deposits placed by UCBs with a UCB under All-inclusive Directions (AID) and their non-performing exposures arising from discounted bills drawn under LCs issued by a UCB under AID shall be fully provided within five years at the rate of 20 per cent annually. Further, the interest receivable on such deposits shall

not be recognised as income by the UCBs.

- (b) In case the UCBs choose to convert such deposits into long term perpetual debt instruments (e.g., Innovative Perpetual Debt Instrument - IPDI) which may be recognised as capital instrument under a scheme of restructuring/ revival of a UCB under AID, provision on the portion of deposits converted into such instruments shall not be required.
- (c) Further, in case UCBs are facing difficulty in withdrawal of deposits from a weak State Cooperative Bank/Central Cooperative Bank, they shall make provision to the extent of 10 per cent per annum on their exposure to such State Cooperative Banks/Central Cooperative Banks. The interest receivable on such deposits shall not be recognised as income by the UCBs.

Note: With reference to Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022, UCBs shall continue to make provisions on inter-bank exposures arising from outstanding uninsured deposits, as per paragraph 14.3(a) of these Directions, until the actual allotment of Perpetual Non-Cumulative Preference Shares (PNCPS) / Equity Warrants. After the allotment of PNCPS / Equity Warrants, the provisions made on exposures arising from deposits shall be reversed only if such provisions are in excess of loss, if any, due to valuation treatment of PNCPS and Equity Warrants. No provisions need to be made on investment in Equity Warrants. UCBs shall fully provide for their investments in PNCPS. Further, UCBs are allowed to spread the provisions for their investments in PNCPS, net of extant provisions made on exposures arising from outstanding uninsured deposits, equally over two financial years such that the entire loss is fully provided for by March 31, 2024.

14.4 Policy for Placement of Deposits

- (a) For placement of deposits with other banks, UCBs shall formulate a policy, keeping in view the prudential limits provided in paragraph 14.1 above, taking into account their funds position, liquidity and other needs, 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 shall review the position at least at half yearly intervals.

Chapter IX: Prudential Systems / Controls

15 Internal Control System

- (a) UCBs shall establish a robust internal control mechanism in respect of investment transactions and shall, at a minimum, ensure the following:
- i. There shall be a clear functional separation of (i) trading, (ii) settlement, (iii) monitoring and control, and (iv) accounting.
 - ii. There shall be a functional separation of trading and back-office functions relating to banks' own Investment Accounts, and other Constituents accounts, if any.
 - iii. 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.
 - iv. 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](#).”.
 - v. 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.
 - vi. 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.
 - vii. Notwithstanding paragraph 4.2(g) 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.
 - viii. SGL/CSGL Account balance shall be reconciled with the balances in the books of PDOs 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.

- ix. It should be ensured that the stockbrokers as directors on the Boards of banks 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.
- x. 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.
- xi. UCBs shall adhere to the FIMMDA code of conduct while executing trades in Government securities on NDS-OM and in the OTC market.
- xii. UCBs shall formulate internal control guidelines for acquisition of non-SLR securities in the secondary market duly approved by their Boards.

16 Engagement of Brokers

- (a) Engagement of the services of the brokers shall also meet the following terms and conditions:
 - i. UCBs shall not undertake any purchase/sale transactions with broking firms or other intermediaries on principal-to-principal basis.
 - ii. UCBs engaging services of a broker shall ensure that the role of the broker shall be restricted to that of bringing the two parties to the deal together. UCBs shall not give power of attorney or any other authorisation to the brokers/ intermediaries to deal on their behalf in the money and securities markets.

Note: The broker is not obliged to disclose the identity of the counterparty before the conclusion of the deal.
 - iii. The brokers shall not have any role in the settlement process at all i.e., both the fund settlement and delivery of security shall be done with the counterparty directly.
 - iv. UCBs shall not transact in Government Securities in physical form with any broker.
 - v. UCBs shall not engage the services of any broker in inter-bank securities transactions.

Provided that the above prohibition shall not apply to banks undertaking securities transactions among themselves or with non-bank clients through members of National

Stock Exchange (NSE), BSE and MCX Stock Exchange (MCX-SX).

- vi. The dealing officials shall independently check prices in the market or on the exchange screens before placing their orders with the brokers. UCBs shall not delegate the decision-making processes to brokers.
- vii. UCBs shall ensure that the broker note contains the exact time of the deal and the name of the counterparty. Their back-office shall ensure that the deal time on the broker note and the deal ticket is the same. The bank shall also ensure that their concurrent auditors audit this aspect.

(b) Empanelment of Brokers

- i. UCBs shall prepare a panel of brokers with the approval of their Board of Directors, which shall be reviewed at least annually.
- ii. The criteria for empanelment of brokers shall, at the minimum, include the following:
 - 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.
- iii. The UCBs shall check websites of SEBI/respective exchanges, to check the details of regulatory / penal action, if any, against the broker.
- iv. A record of broker-wise details of deals put through and brokerage paid shall be maintained.

(c) Prudential Limits on transaction through brokers

- i. A limit of 5 per cent of total transactions through brokers (both purchases and sales) entered into by a UCB during a financial year under review shall be treated as the aggregate upper contract limit for each of the approved brokers, provided the following:
 - a. The limit shall be observed with reference to the year under review and the bank shall keep in view the expected turnover of the current year which shall be based on turnover of the previous year and anticipated rise or fall in the volume of business in the current year.
 - b. transactions entered into directly with counterparties, i.e., where no brokers are involved, shall be excluded to arrive at the total transactions through brokers.
 - c. if for any reason it becomes necessary to exceed the aggregate limit for any

broker, UCBs shall record the specific reasons for such breach and the Board shall be informed, post- facto.

d. in case of repo transactions both the legs of the transaction i.e., purchase as well as sale shall be included to arrive at the volume of total transactions.

e. the limit of 5 per cent shall not apply to banks dealings through Primary Dealers.

17 Audit, Review and Reporting

17.1 Audit

(a) 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 Chief Executive of the UCB at monthly intervals.

(b) The concurrent audit shall, at the minimum:

i. Ensure that in respect of purchase and sale of securities, the concerned department has acted within its delegated powers.

ii. 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 SGL/CSGL/Gilt account/demat account or in a physical form, where applicable.

iii. Ensure that the sale or purchase transactions are done at rates beneficial to the bank.

iv. Scrutinize conformity with broker limits and include excesses observed in their periodical reports.

v. 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.

Note: 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.

(c) The internal 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. In the absence of internal auditors, audit shall be conducted by Chartered Accountants.

(d) Monthly reconciliation of SGL/CSGL account balance with PDO, as required in paragraph 15(a)(viii) of these Directions shall be periodically checked by the internal auditors and placed before the Audit Committee of the Board.

- (e) UCBs shall report on monthly basis to the Audit 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.
- (f) The results of internal audit shall be placed before the Board of Directors once in every quarter.

17.2 Review / Reporting

- (a) The Top Management of the UCBs shall actively oversee investment transactions and undertake a monthly review of investment transactions. A copy of the monthly review, including the details of large transactions shall be put up to the Board once a month, for information.
- (b) Banks shall forward a quarterly certificate to the PDO concerned, indicating that the balances held in the SGL/CSGL accounts with the PDO 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.
- (c) UCBs shall 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 SGL/CSGL accounts with PDO, SGL 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.
- (d) 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.

Chapter X: Accounting and Provisioning

18 Income Recognition

- (a) UCBs shall recognize income on accrual basis for the following:
- i. Government Securities and corporate bonds, where interest rates on the instruments are predetermined provided the interest is serviced regularly and is not in arrears.
 - ii. 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.
 - iii. 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.
- (b) Income from units of mutual funds (debt mutual funds and money market mutual funds) shall be booked on cash basis.
- (c) In respect of investments in Government securities and approved securities, UCBs 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.

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

19 Investment Fluctuation Reserve (IFR)

19.1 Creation of IFR and Minimum Requirement

- (a) UCBs shall 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)"⁶.
- (b) In the event that IDR created on account of depreciation in investments, as provided in paragraph 19.1(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.
- (c) In addition to as provided in paragraph 19.1(b) above, UCBs shall build IFR out of realised

⁶ Also refer to Para 19.2(c)(i) of these Directions.

gains on sale of investments, subject to availability of net profit.

- (d) UCBs shall maintain minimum IFR of 5 per cent of the investment portfolio. This minimum requirement shall be computed with reference to investments in HFT and AFS categories. UCBs may, at their discretion, build up a higher percentage of IFR depending on the size and composition of their portfolio, with the approval of their Board of Directors.
- (e) UCBs 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.
- (f) IFR shall be eligible for inclusion in Tier II capital.
- (g) UCBs shall ensure that the unrealised gains on valuation of the investment portfolio are not taken to the Income Account or to the IFR.

19.2 Draw-down from IFR

- (a) UCBs 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. Such draw down from IFR shall be utilised to meet the depreciation requirement on investment in securities.
- (b) 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:
 - i. 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
 - ii. 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.
- (c) Accounting Principles
 - i. 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 19.1(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.
 - ii. 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 19.1(a) and 19.1(b) above) shall be debited and credited respectively under the head "Expenditure - Provisions & Contingencies".

- iii. 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.

Note: IFR is created out of appropriation of net profits or reversal of excess IDR as provided in paragraph 19.1(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.

20 Non-Performing Investments (NPI)

- (a) In respect of securities where interest/principal is in arrears, the UCBs shall not reckon income on the securities and shall also make appropriate provisions for the depreciation in the value of the investment. UCBs shall not set-off the depreciation requirement in respect of these non-performing securities against the appreciation in respect of other performing securities.
- (b) 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/ instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.
- (c) 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 with paragraph 11.3(g)(iii) of these Directions, those shares shall be reckoned as NPI.
- (d) 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.
- (e) 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.
- (f) Government guaranteed investment
 - i. Investment in State Government Guaranteed securities, shall attract prudential norms

for identification of NPI and provisioning, when interest/ instalment of principal (including maturity proceeds) or any other amount due to the bank remains unpaid for more than 90 days.

- ii. UCB's 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.

Chapter XI: Miscellaneous

21 Repeal Provisions

With the issue of these Directions, the instructions / guidelines contained in the circulars mentioned in the [Annex III](#) issued by the Reserve Bank stand repealed. All the instructions/guidelines given in the above circulars shall be deemed as given under these Directions. Any reference in other Circulars/ Guidelines/Notifications issued by the Reserve Bank containing reference to the said repealed Circulars, shall mean the reference to these Directions, namely, the Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023, after the date of repeal. Notwithstanding such repeal, any action taken, purported to have been taken or initiated under the Circulars hereby repealed shall continue to be governed by the provisions of the said Circulars.

Separate Trading of Registered Interest and Principal Securities (STRIPS)

Accounting and Valuation

1. STRIPS shall be valued and accounted for as zero coupon bonds and in the manner prescribed in in these Directions.

2. The discount rates used for valuation of STRIPS at inception shall be market-based. However, in case traded zero-coupon rates are not available, the zero coupon yields published by FBIL shall be used instead.

3. Accounting entries in the SGL accounts as a consequence of stripping/reconstitution, shall be passed at the face value. SGL account of participant placing request for stripping shall be debited by the face value of the Government Security and shall be simultaneously credited with the aggregate face value of Coupon STRIPS (equal to the aggregate coupon amounts) as well as the face value of Principal STRIPS (equal to the face value of the government security)⁷.

4. On the day of stripping, the STRIPS shall be recognised in the books of account of the participant at their discounted value and at the same time, the Government Security in question shall be derecognised. The accounting treatment for reconstitution shall be exactly the opposite of stripping. The detailed procedure for accounting of STRIPS is given below.

4.1 The stripping/reconstitution shall not result in any profit or loss. The present value of the STRIPS (coupon as well as principal) discounted using the Zero Coupon Yield Curve (ZCYC) shall be normalized using a factor that will be the ratio of the book value or market value of the security (whichever is lower) to the sum total of the market value of all STRIPS created out of the security⁸.

4.2 Banks can strip eligible Government Securities held under the AFS/HFT category of their investment portfolio.

4.3 In case STRIPS are created from securities held in the HTM portfolio, the securities shall be transferred from the HTM category to the AFS/HFT category as per these Directions. Thereafter, the lower of the book value/market value shall be used for normalizing the market value of individual STRIPS to the book value/market value. Post stripping, the book

⁷ Reference is invited to illustration given in Annex 3 of [circular no. IDMD.DOD.07/11.01.09/2009-10 dated March 25, 2010](#) on Guidelines on Stripping/Reconstitution of Government Securities.

⁸ Reference is invited to illustration given in Annex 4 of [circular no. IDMD.DOD.07/11.01.09/2009-10 dated March 25, 2010](#) on Guidelines on Stripping/Reconstitution of Government Securities.

value/market value of the existing securities shall be derecognized and replaced by the normalized value of STRIPS whose sum total shall exactly equal the book value/market value of the extinguished security (thereby ensuring that there is no profit or loss on account of stripping). Any appreciation, arising due to the shifting of the security from HTM shall be ignored. The same methodology shall be followed for securities that are stripped from the AFS/HFT portfolio.

4.4 (i) Before a security is stripped, it shall be marked to market. Appreciation, if any, shall be ignored and depreciation, if any, shall be recognised, if the market value is lower than the book value. Such depreciation shall not be aggregated for the purpose of arriving at net depreciation/appreciation of investment under the AFS/HFT category. The book value/ market value of the security, whichever is lower, shall be used to normalise the STRIPS.

(ii) The Normalisation principle, on stripping/reconstitution shall be applied on the clean price of the security (without considering the accrued interest) as the accrued interest is booked as income/expenditure.

(iii) Normalisation shall also be applied in the case of reconstitution (even when STRIPS are acquired from the market).

(iv) The book value of the STRIPS (ZCBs) shall be valued and marked to market as per these Directions. Accordingly, the book value of the STRIPS shall be marked up to the extent of accrued interest before MTM.

Annex II

[Paragraph 13(a)(viii) and 13.1(c)(ii)]

RESTRICTIONS ON HOLDING SHARES IN OTHER CO-OPERATIVE SOCIETIES

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 shares acquired through funds provided by the State Government for that purpose;
- 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
- 1.3 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.

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:

- 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 to 1.3 above, shall not exceed 2 per cent of its owned funds (paid-up share capital and reserves).
- 2.2 The investment of a bank in the shares of any one co-operative institution coming under paragraph 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 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.*

- 2.3 A co-operative bank should offer to make its contribution to the shares of a co-operative society coming under paragraph 2.1 above only if the bye-laws of the recipient society provide for the retirement of share capital contributed by it.

- 2.4 The retirement of the share capital contributed by a bank to the shares of any society coming under paragraph 2.1 above should be completed in 10 equal annual instalments commencing from the co-operative year immediately following the year in which the concern commences business or production.
- 2.5 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 2.1 above, if it is situated outside its area of operation.
- 2.6 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.

List of Circulars repealed by these Directions

S. No.	Circular	Date	Subject
1.	ACD.ID (DC) 1799/R.36/79/80	10-01-1980	Subscription/purchase of 7 year national rural development bonds
2.	ACD.ID. (DC) 1800/R.36-79/80	10-01-1980	Directive relating to subscription/purchase of 7 year national rural development bonds
3.	UBD.P&O.1121/UB. -63-83/84	01-06-1984	Bank's own investment in central state government loans-payment of brokerage
4.	UBD.NO.DC.597/R.41-84/85	31-10-1984	7% Capital Investment Bonds
5.	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
6.	UBD.No.BR.1918/A12(19)-87/88	27-06-1988	Restriction on Primary Co-operative Banks in Holding Shares in Institutions Other than in Co-operative Sector
7.	UBD.No.Plan.13/UB.81/92-93	15-09-1992	Investments portfolio of banks Transactions in securities
8.	UBD.No.Plan.74/UB.81-92/93	17-05-1993	Investment portfolio of banks - Transactions in securities
9.	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
10.	Paragraph 4.3 to 4.11 of Appendix to circular 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
11.	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:

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
12.	UBD.No.PLAN (PCB).CIR.56/09.29.00/93-94	11-02-1994	Investment portfolio of banks - Transactions in Securities.
13.	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
14.	Paragraph (b) and Annexure to circular UBD.No.I&L.86/12.05.00/93-94	28-06-1994	Income Recognition, Assets Classification, Provisioning and other related matters
15.	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
16.	UBD.No.Plan.PCB.14/09.80.00/94-95	24-08-1994	Ready Forward Transactions
17.	UBD.No.Plan.PCB.29/09.80.00/94/95	09-11-1994	Ready Forward Transactions
18.	UBDNo.Plan.PCB.32/09.29.00/94-95	24-11-1994	Investment Portfolio of Banks - Transactions in Securities – Bank Receipts/Role of brokers
19.	UBD.No.Plan.PCB.44/09.80.00/94-95	18-02-1995	Ready Forward Transactions
20.	UBD.No.Plan.PCB.Dir.11/09.80.00/94-95	31-03-1995	Ready Forward Transactions
21.	UBD.No.Plan.PCB.48/09.80.00.94-95	31-03-1995	Ready Forward Transactions
22.	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
23.	Paragraph 5 of 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
24.	UBD.No.BR.1/16.20.00/94-95	08-07-1995	Deposits with State Government
25.	UBD.No.Plan.PCB.2/09.80.00/95-96	14-07-1995	Ready Forward Transactions
26.	UBD.No.Plan.PCB.Dir.2/09.80.00/95-96	14-07-1995	Ready Forward Transactions
27.	UBD.No.Plan.PCB.4/09.80.00/95-96	29-07-1995	Ready Forward Transactions

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
28.	UBD.No.Plan.PCB.Dir.4/09.80.00/95-96	29-07-1995	Ready Forward Transactions
29.	UBD.No.Plan.PCB.8/09.80.00/95-96	26-08-1995	Ready Forward Transactions
30.	UBD.No.Plan.PCB.Dir.5/09.80.00/95-96	26-08-1995	Ready Forward Transactions
31.	UBD.No.PCB.11/09.80.00/95-96	07-09-1995	Ready Forward Transactions
32.	UBD.No.Plan.PCB.Dir.6/09.80.00/95-96	07-09-1995	Ready Forward Transactions
33.	UBD.No.PCB.13/09.80.00/95-96	18-09-1995	Ready Forward Transactions
34.	UBD.No.PCB.Dir.7/09.80.00/95-96	18-09-1995	Ready Forward Transactions
35.	UBD.No.Plan.16/09.80.00/95-96	29-09-1995	Ready Forward Transactions
36.	UBD.No.Plan.PCB.Dir.9/09.80.00/95-96	29-09-1995	Ready Forward Transactions
37.	UBD.No.Plan.PCB.18/09.80.00/95-96	29-09-1995	Ready Forward Transactions (Repos) in Government and other Approved Securities
38.	UBD.No.PCB.Dir.11/09.80.00/95-96	12-10-1995	Ready Forward Transactions
39.	UBD.No.Plan.PCB.20/09.80.00/95-96	12-10-1995	Ready Forward Transactions
40.	UBD.No.Plan.PCB.Dir.14/09.80.00/95-96	27-11-1995	Ready Forward Transactions
41.	UBD.No.PCB.31/09.80.00/95-96	27-11-1995	Ready Forward Transactions
42.	UBD.No.PCB.Dir.15/09.80.00/95-96	06-12-1995	Ready Forward Transactions
43.	UBD.No.Plan.PCB.32/09.80.00/95-96	06-12-1995	Ready Forward Transactions
44.	UBD.No.PCB.Dir.16/09.80.00/95-96	03-01-1996	Ready Forward Transactions
45.	UBD.No.PCB.34/09.80.00/95-96	03-01-1996	Ready Forward Transactions
46.	UBD.No.PCB.Dir.20/09.80.00/95-96	08-02-1996	Ready Forward Transactions
47.	UBD.No.PCB.42/09.80.00/95-96	08-02-1996	Ready Forward Transactions
48.	UBD.No.Plan.PCB.47/09.60.00/95-96	29-02-1996	Investment in Certificates of Deposit (CDs) by Urban Co-operative Banks
49.	UBD.No.PCB.Dir.22/09.80.00/95-96	01-03-1996	Ready Forward Transactions

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
50.	UBD.No.PCB.48/09.80.00/95-96	01-03-1996	Ready Forward Transactions
51.	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
52.	UBD.No.PCB.56/09.80.00/95-96	30-03-1996	Ready Forward Transactions
53.	UBD.No.Plan.PCB.Dir.23/09.80.00/95-96	30-03-1996	Ready Forward Transactions
54.	UBD.No.PCB.61/09.80.00/95-96	18-04-1996	Ready Forward Transactions
55.	UBD.No.PCB.Dir.27/09.80.00/95-96	18-04-1996	Ready Forward Transactions
56.	UBD.No.PCB.66/09.80.00/95-96	03-06-1996	Ready Forward Transactions
57.	UBD.No.PCB.Dir.28/09.80.00/95-96	03-06-1996	Ready Forward Transactions
58.	Paragraph (iii) of circular UBD.No.I&L(PCBs)68/12.05.00/95-96	10-06-1996	Income Recognition, Assets Classification, Provisioning and other related matters - Clarifications
59.	UBD.No.Plan/PCB/69/09.29.00/95-96	21-06-1996	Investment portfolio of banks - Transactions in securities
60.	UBD.No.PCB.Dir.1/09.80.00/96-97	02-07-1996	Ready Forward Transactions
61.	UBD.No.Plan.PCB/4/09.80.00/96-97	15-07-1996	Ready Forward Transactions
62.	UBD.No.Plan.PCB.7/09.60.00/96-97	19-07-1996	Investment in certificates of deposit by Urban Co-operative Banks
63.	UBD.No.PCB.Dir.6/09.80.00/96-97	26-07-1996	Ready Forward Transactions
64.	UBD.No.Plan.PCB.9/09.80.00/96-97	26-07-1996	Ready Forward Transactions
65.	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
66.	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)
67.	UBD.No.Plan.PCB.34/09.29.07/96-97	30-12-1996	Investment portfolio of banks Transactions in securities
68.	UBD.No.PCB.Dir.18/09.80.00/96-97	13-01-1997	Ready Forward Transactions
69.	UBD.No.Plan.PCB.36/09.80.00/96-97	13-01-1997	Ready Forward Transactions

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
70.	Paragraph II of circular 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
71.	UBD.No.Plan.PCB.56/09.60.00/96-97	06-06-1997	Investment in Certificates of Deposit (CDs) by Urban Co-operative Banks
72.	UBD.No.Dir.1/09.80.00/97-98	21-07-1997	Ready Forward Transactions
73.	UBD.No.Plan.PCB.3/09.80.00/97-98	21-07-1997	Ready Forward Transactions
74.	UBD.No.Plan.PCB.Cir.19/09.29.00/97-98	10-11-1997	Investment Portfolio of banks - Transactions in securities-Role of brokers
75.	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
76.	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
77.	UBD.No.BSD.I (PCB) 22/ 12. 05. 00 / 97-98	26-11-1997	Investment by Urban Co-operative Banks Valuation of Investments
78.	UBD.No.Dir.8/09.80.00/97-98	05-12-1997	Ready Forward Transactions
79.	UBD.No.Plan.PCB.Cir/26/09.80.00/97-98	05-12-1997	Ready Forward Transactions
80.	UBD.No.Plan.PCB.Dir.13/09.80.00/97-98	31-12-1997	Reverse Ready forward transactions
81.	UBD.No.Plan.PCB.CIR.33/09.80.00/97-98	31-12-1997	Reverse Ready Forward Transactions
82.	UBD.No.BP.37/16.20.00/97-98	29-01-1998	Investment by Urban Co-operative Banks - Valuation of Investments
83.	UBD.No.Plan.SUB.20/09.81.00/97-98	19-02-1998	Retailing of Government Securities
84.	UBD.No.Plan.PCB/Cir.56/09.60.00/97-98	13-05-1998	Investment in Certificates of Deposit (CDs) by primary (urban) co-operative banks
85.	UBD No.61/16.20.00/97-98	04-06-1998	Investment of funds by primary (urban) co-operative banks in public sector undertakings/companies

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
86.	UBD.No.Plan.PCB.65/09.80.00/97-98	30-06-1998	Ready Forward Transactions
87.	UBD.No.BR.1/16.20.00/98-99	10-07-1998	Investment by urban co-op. banks – Valuation of Investments – US – 64 units
88.	UBD.No.Plan.PCB.Dir.2/09.80.00/98-99	17-08-1998	Ready Forward Transactions
89.	UBD.No.Plan.PCB.DIR.3/09.80.00/98-99	17-08-1998	Reverse Ready forward transactions
90.	UBD.No.Plan.PCB.Cir/6/09.80.00/98-99	17-08-1998	Ready Forward Transactions
91.	UBD.No.Plan.PCB.CIR.7/09.80.00/98-99	17-08-1998	Reverse Ready Forward Transactions
92.	UBD.No.Plan.PCB.9/09.80.00/98-99	30-10-1988	Ready Forward Transactions (Repos) in Government and other Approved Securities
93.	UBD.No.BSD.I/PCBs.15/12.05.01/98-99	06-01-1999	Acquisition of Government and other Approved Securities - Broken Period Interest - Accounting Procedure
94.	UBD.No.Plan.PCB.Dir.4/09.80.00/98-99	06-02-1999	Ready forward transactions
95.	UBD.No.Plan.PCB.Cir/19/09.80.00/98-99	06-02-1999	Ready forward transactions
96.	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
97.	UBD.No.Plan.PCB.Dir.7/09.80.00/98-99	29-06-1999	Ready forward transactions
98.	UBD.No.Plan.PCB.Cir/33/09.80.00/98-99	29-06-1999	Ready forward transactions
99.	UBD.No.Plan.PCB.04/09.80.00/99-2000	25-08-1999	Ready Forward Transactions

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
100.	UBD.Plan.18/09.80.00/1999-2000	30-12-1999	Banks' own investment in State Government Loans - Payment of brokerage commission
101.	UBD.No.Plan.PCB.Dir.5/09.80.00/99-2000	11-01-2000	Ready forward transactions
102.	UBD.No.Plan.PCB.Cir/20/09.80.00/99-2000	11-01-2000	Ready forward transactions
103.	Paragraph 2 and 3 of circular UBD.No.BSD.PCB/25/12.05.05/99-2000	28-02-2000	Income Recognition, Asset Classification, Provisioning and other related matters
104.	UBD.CO.Plan.PCB.DIR/6/09.80.00/99-2000	28-03-2000	Ready Forward Transactions
105.	UBD.Plan.PCB.Cir/26/09.80.00/99-2000	28-03-2000	Ready Forward Contracts
106.	Paragraph 2, 3 and Annexure of circular 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
107.	UBD.No.Plan.PCB.Cir/22/09.29.00/2000-2001	30-12-2000	Investment Portfolio of banks - Transactions in securities - Role of brokers
108.	UBD.No.POT.Cir.PCB.39/09.29.00/2000	18-04-2001	Sale of Government Securities Allotted in the Auctions of Primary Issues
109.	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
110.	UBD.No.CO.BSD.I.PCB.44/12.05.05/2000-2001	23-04-2001	Guidelines for Classification and Valuation of Investments by Banks
111.	UBD.No.POT.PCB.Cir./14/09.80.00/2001-02	08-10-2001	Ready Forward Contracts
112.	Paragraph II of circular UBD.No.BSD.I/22/12-05-05/2001-2002	12-11-2001	Income Recognition, Asset Classification and Provisioning

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
113.	UBD.No.POT.PCB.Cir./23/09.80.00/2001-02	06-12-2001	Ready Forward Contracts
114.	UBD.Plan.PCB.Cir.No.41/09.29.00/2001-02	20-04-2002	Investment Portfolio of Banks – Transactions in Securities
115.	UBD.Plan.SCB.Cir.No.10/09.29.00/2001-02	26-04-2002	Investment Portfolio of Urban Banks – Transactions in Government Securities
116.	UBD.PCB.Cir.No.46/09.29.00/2001-02	06-06-2002	Investment Portfolio of Banks – Transaction in Securities
117.	UBD.BR.No.47/16.26.00/2001-02	07-06-2002	Investments in Government and other approved securities by UCBs
118.	UBD.CO.POT.PCB.Cir.No.48/09.29.00/2001-02	11-06-2002	Certification of holding of securities in banks' investment portfolio
119.	UBD.POT.No.49/09.80.00/2001-02	17-06-2002	Ready Forward Contracts
120.	UBD.POT.PCB.Cir.No.5/09.29.00/02-03	22-07-2002	Investment portfolio of banks – transaction in securities
121.	UBD.POT.PCB.Cir.No.06/09.29.00/2002-03	06-08-2002	Investment Portfolio of UCBs – Transactions in Government Securities
122.	UBD.No.BR.Cir.19/16.26.00/2002-2003	29-10-2002	Dematerialisation of PSU Bonds
123.	UBD.BPD.SPCB.No.9/09.29.00/2002-03	27-01-2003	Reconciliation Procedure for Government Loans
124.	UBD.BP.No.35/16.26.00/2002-03	18-02-2003	Prices of Government Securities in the Secondary Market
125.	UBD.BPD.PCB.Cir.No.39/09.29.00/2002-03	13-03-2003	Trading of Government Securities on Stock Exchange
126.	UBD.BPD.PCB.No.44/09.80.00/2002-03	12-05-2003	Guidelines for uniform accounting for Repo/Reverse Repo transactions
127.	UBD.BPD.PCB.Cir.No.46/16.20.00/2002-03	17-05-2003	Placement of deposits by non-scheduled UCBs with Scheduled UCBs
128.	UBD.PCB.56/09.29.00/2003-04	02-07-2003	Investment Portfolio of Banks – Transactions in Securities

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
129.	UBD.BPD.Cir.No.1/09.11.00/2003-04	08-07-2003	Settlement in respect of Government Securities Transaction – Compulsory settlement through Clearing Corporation of India Ltd.
130.	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
131.	UBD.BPD.PCB.Cir.8/9.2900/2003-04	16-08-2003	Trading of Government Securities in Stock Exchanges
132.	UBD.BPD.Cir.No.11/09.29.00/2003-04	02-09-2003	Investment Portfolio of UCBs – Classification & Valuation of investments
133.	UBD.BPD.PCB.Cir.12/09.29.00/2003-04	04-09-2003	Investment Portfolio of UCBs – Guidelines for Investment Fluctuation Reserve
134.	UBD.BPD.PCB.21/16.26.00/2003-04	21-10-2003	Permission to Open Demat Account for Holding PSU Bonds
135.	UBD.No.BPD.PCB.CIR.26/16.20.00/2003-04	02-12-2003	Investment in Shares of ICICI Bank Ltd.
136.	UBD.BPD.PCB.Cir.33/09.11.00/2003-04	11-02-2004	Maintenance of CSGL Accounts
137.	UBD.BPD.PCB.Cir.35/13.05.00/2003-04	27-02-2004	Placement of deposits by NSCBs with strong sch UCBs
138.	UBD.BPD.PCB.Cir.42/09.11.00/2003-04	01-04-2004	Maintenance of CSGL Accounts
139.	UBD.BPD.PCB.Cir.44/09.29.00/2003-04	12-04-2004	Sale of Govt. Securities allotted in the auctions for primary issues on the same day.
140.	UBD.BPD.PCB.Cir.45/16.20.00/2003-04	15-04-2004	Investment in non-SLR debt securities by Primary (Urban) Co-operative Banks (UCBs)
141.	UBD.BPD.SUB.CIR.5/09.80.00/2003-04	28-04-2004	Transactions in Government Securities (DVP III)
142.	UBD.No.PCB.Cir.5/16.20.00/2004-05	22-07-2004	List of All India Financial Institutions

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
143.	UBD.PCB.Cir.No.6/12.05.01/2004-05	28-07-2004	Placement of Deposits by Non Scheduled UCBs with Eligible Scheduled UCBs
144.	UBD.No.SUB.CIR.2/09.80.00/2004-05	19-08-2004	Transactions in Government Securities - DVP III Mode of Settlement
145.	UBD.No.PCB.Cir.16/16.20.00/2004-05	02-09-2004	Investment Portfolio of Urban Co-operative Banks – classification and valuation of Investments
146.	UBD.BPD.No.37/12.05.01/2004-05	26-02-2005	Investment portfolio of banks – Reporting system
147.	UBD BPD No: 41/16.20.000/2004-05	28-03-2005	Investment portfolio of Urban Co-operative Banks (UCBs) - Classification and Valuation of Investments
148.	UBD(PCB)/ Cir.49/09.80.00/2004-05	20-06-2005	Ready Forward Contracts - UCBs
149.	UBD (PCB)/Cir.50/09.80.00/2004-05	20-06-2005	Government Securities Transactions - T + 1 settlement - UCBs
150.	UBD BPD No: 51/09.80.00/2004-05	20-06-2005	Sale of securities allotted in primary issues - UCBs
151.	UBD BPD No: 41/16.20.000/2005-06	29-03-2006	Investment portfolio of Urban Co-operative Banks (UCBs) - Classification and Valuation of Investments
152.	UBD BPD No: 7/ 09.29.000/2006-07	18-08-2006	'When issued' transactions in Govt. Securities
153.	UBD BPD No:14/16.20.00/07-08	18-09-2007	Investments in Non-SLR securities by Primary (Urban) Cooperative Banks
154.	UBD.BPD.(PCB).No:56 /16.20.000/07-08	17-06-2008	Valuation of Non-SLR securities issued by the Government of India
155.	UBD BPD (PCB) No 47/16.20.000/08-09	30-01-2009	Placement of deposits with other banks by primary (urban) cooperative banks (UCBs)
156.	UBD BPD (PCB) No 46/16.20.000/08-09	30-01-2009	Investments in Non-SLR securities by primary (urban) cooperative banks
157.	UBD.BPD.(PCB).Cir.No.27/16.20.000/2009-10	03-12-2009	Master Circular on Investments by UCBs– Corrigendum

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
158.	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
159.	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
160.	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
161.	UBD.(PCB).Cir.No.34/09.80.00/2010-11	18-01-2011	Accounting Procedure for Investments - Settlement Date Accounting
162.	UCB(PCB)BPD.Cir.No.36/16.20.000/2010-11	18-02-2011	Prudential Norms on Investment in Zero Coupon Bonds
163.	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
164.	UBD.BPD(SCB).No.4/16.20.000/2012-13	10-06-2013	Ready Forward Contracts in Corporate Debt Securities
165.	UBD.BPD.(PCB).Cir.No.9/09.29.000/2013-14	04-09-2013	Secondary Market Transactions in Government Securities - Intra-day Short Selling
166.	UBD.BPD.(PCB).CIR.No.36/16.20.000/2013-14	01-11-2013	Investment portfolio of Urban Co-operative Banks (UCBs) Classification, Valuation and Provisioning
167.	UBD.BPD.(PCB).Cir.No.58/16.20.000/2013-14	07-05-2014	Investments in Market Infrastructure Companies by Primary (Urban) Cooperative Banks
168.	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)
169.	DCBR.BPD.(PCB/RCB)Cir.No.1/16.20.000/2018-19 (Repealed for UCBs only)	06-07-2018	Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks – Spreading of MTM losses and creation of Investment

Master Direction – Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Primary (Urban) Co-operative Banks) Directions, 2023

S. No.	Circular	Date	Subject
			Fluctuation Reserve (IFR) by Co-operative banks
170.	DBR.BP.BC.No.002/21.04.141/2018-19 (Repealed for UCBs only)	27-07-2018	Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by banks – Valuation of State Development Loans
171.	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
172.	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
173.	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
174.	DOR.REC.MRG.90/16.20.000/2021-22	03-03-2022	Investment in Umbrella Organization (UO) by Primary (Urban) Co-operative Banks
175.	DOR.MRG.REC.46/00-00-011/2022-23	10-06-2022	Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 - Provisioning on Interbank Exposure and Valuation of Perpetual Non-Cumulative Preference Shares (PNCPS) and Equity Warrants