



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

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RBI/2010-11/153

DBOD. No. BP.BC. 34/21.04.141/2010-11

August 6, 2010

The Chairman and Managing Directors/  
Chief Executive Officers of  
All Commercial Banks  
(excluding Regional Rural Banks)

Dear Sir

**Sale of Investments held under Held to Maturity (HTM) category**

In terms of our [Master Circular No. DBOD.BP.BC.18/21.04.141/2010-11 dated July 1, 2010](#) on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks', securities acquired by banks with the intention to hold them up to maturity may be classified under Held to Maturity (HTM) category. Banks are, however, allowed to shift investments to/from HTM with the approval of the Board of Directors once a year. Such shifting is normally allowed at the beginning of the accounting year and no further shifting to/from HTM is allowed during the remaining part of that accounting year.

2. In this connection, it has been observed that many banks are resorting to sale of securities held under HTM category, that too frequently, to take advantage of

favourable market conditions and to book profits. It needs to be reiterated that securities under HTM category are intended to be held till maturity and accordingly are not required to be marked to market.

3. In view of above, it has been decided that if the value of sales and transfers of securities to/from HTM category exceeds 5 per cent of the book value of investments held in HTM category at the beginning of the year, bank should disclose the market value of the investments held in the HTM category and indicate the excess of book value over market value for which provision is not made. This disclosure is required to be made in 'Notes to Accounts' in banks' audited Annual Financial Statements.

Yours faithfully,

(B. Mahapatra)  
Chief General Manager –in-Charge