

# INTRICACIES OF TREASURY FUNCTION OF UCBs AND NDTL CALCULATION

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# **Urban Co-operative Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025**

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# ***The Board of Directors (Board) shall approve the Investment Policy of a UCB***

- ***OBJECTIVES***
- ***SCOPE OF THE INVESTMENT POLICY***
- ***AUTHORITY TO PUT THROUGH DEALS (DEALING FUNCTION)***
- ***RATIFICATION BY THE CHAIRMAN***
- ***PROCEDURE WHILE PUTTING THROUGH DEALS:- { THROUGH SGL ACCOUNT }***
- ***Back office function:***
- ***The valuation in these categories will be done as follows***
- ***PRUDENTIAL LIMITS***
- ***NON-SLR INVESTMENTS***
- ***REPORTING/ RATIFICATION BY THE EXE.COMMITTEE/ BOARD OF DIRECTORS***
- ***AUDIT OF THE INVESTMENT PORTFOLIO***
- ***INTERNAL CONTROL***
- ***PROHIBITION***
- ***DISCLOSURE IN NOTES ON ACCOUNT***

# *TRESUARY MANAGEMENT IN UCBs*

- *GENERAL GUIDELINES & ROLE OF BOARD*
- *IMPACT ON BALANCE SHEET AND ON PROFITABILITY*
- *FUND MANAGEMENT*
- *IDR & IFR*

# INVESTMENT IN UCBs

- CASH
- BANK BALANCE
- SLR SECURITIES
- NON SLR SECURITIES
- BANK DEPOSITS

# SLR SECURITIES

- *GOVERNMENT SECURITIES*
- *STATE GOVERNMENT DEVELOPMENT LOAN (SDL)*
- *T-BILL*

➤ *SLR MINIMUM 18 % OF NDTL*

## CLASSIFICATION

*HELD TO MATURITY (HTM)*

*HELD FOR TRADING (HFT)*

*AVAILABLE FOR SALE (AFS)*

- Investments under HTM category shall not exceed 25 per cent of a UCB's total investments
- A UCB shall have the option to exceed the limit of 25 per cent of its total investments under HTM category provided the excess comprises of SLR securities. However, the total SLR securities held in the HTM category shall not be more than 25 per cent of a UCB's Net Demand and Time Liabilities (NDTL) as on the last Friday of the second preceding fortnight

# NON SLR INVESTMENT

❑ 10% OF LAST YEAR DEPOSITS

❑ SINGLE PARTY EXPOSURE APPLICABLE FOR SINGLE SECURITIES

## CLASSIFICATION

❑ HTM

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.

❑ OTHER AFS

# BANK DEPOSITS

- 20% OF LAST YEAR DEPOSITS
- 5% IN SINGLE BANK

## NET DEMAND AND TIME LIABILITIES

### NDTL CALCULATION WITH EXAMPLE

Current Deposits including Credit Balance in CC A/c	500.00
Saving Deposits	700.00
Term Deposits	1,200.00
Other Liabilities except OIR and Provisions	400.00
Overdraft against Deposits	40.00
Loan against Deposits	60.00
NDTL Calculation	
Demand Liability (Current Deposit + Demand portion of Saving Deposit say 15%)	605.00
Time Deposit (Term Deposit + Time portion of Saving Deposit say 85% - OD against Deposit & Loan against Deposit)	1,695.00
Other Liabilities	400.00
<b>Total NDTL as on Date</b>	<b>2,700.00</b>

## *GENERAL GUIDELINES & ROLE OF BOARD*

- The Board shall approve the shifting of Investments among various categories (viz., HTM, AFS, and HFT)
- The Board shall review the various aspects of non-SLR investment at least on quarterly basis
- The Board shall approve the policy for placement of deposits with other banks and shall review the position at least on a half yearly basis
- The ACB shall review the details of trades on aggregate basis done on the exchanges and any transaction that were 'closed-out'
- The results of internal audit pertaining to investment functions shall be placed before the Board once in every quarter
- A half-yearly review (as of March 31st and September 30th) of the investment portfolio shall be placed before the Board within two months, i.e., by end-May and end-November

- A UCB shall hold its investments in securities only in dematerialized form
- A UCB shall classify its 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).
- 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

## SHIFTING

### **Held for Trading (HFT) and Available for Sale (AFS)**

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.

Securities which do not fall under HTM or HFT categories shall be classified under AFS category.

### **Shift to / from HTM**

A UCB shall have the option to shift investments to / from HTM category with the approval of the Board once a year.

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

Transfer of securities from AFS / HFT category to HTM category shall be made at the lower of book value or market value.

VALUATION AT TIME OF SHIFTING

## Investment in non-SLR Securities

A UCB shall not invest in the following non-SLR instruments:

- (1) Perpetual debt instruments;
- (2) Units of Mutual Funds, other than units of Debt Mutual Funds, and Money Market Mutual Funds;
- (3) Instruments with an original maturity of less than one year, except units of Debt Mutual Funds and Money Market Mutual Funds, CPs, and CDs; and
- (4) Shares of bodies or organizations other than in the co-operative sector, unless specifically permitted by RBI.

## **Placement of Deposits with other banks / institution**

The following criteria shall have the option to accept deposits from other UCBs

- (1) Applicable minimum CRAR plus 1 per cent;
- (2) Gross Non Performing Assets (NPAs) of less than 7 per cent and Net NPAs of not more than 3 per cent;
- (3) 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;
- (4) No default in the maintenance of CRR / SLR during the preceding financial year;
- (5) Sound internal control system with at least two professional directors on the Board; and
- (6) Core Banking Solution (CBS) fully implemented.

*IMPACT ON BALANCE SHEET AND ON  
PROFITABILITY*

# FUND MANAGMENT

IFR & IDR

THANK YOU