

Confidential



Retirement Solutions

Investment Prudential Norms

Of

UTI Retirement Solutions Limited

[A wholly-owned subsidiary of UTI Asset Management Company Limited,

Incorporated under the Companies Act, 1956]

Edition – XII

(Approved in the Board Meeting held on 25th October, 2016)

UTI Retirement Solutions Ltd.
Investment Prudential Norms for NPS Schemes

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Preamble

UTI Retirement Solutions Ltd. (UTI RSL), a 100% subsidiary of UTI Asset Management Company Ltd. was incorporated on 14th December, 2007.

UTI RSL has been set up to carry out the operations as Pension Fund directed by the Board of Trustees of the New Pension System Trust, set up under the Indian Trust Act, 1882, and to undertake asset management as prescribed by the Government or Pension Fund Regulatory and Development Authority (PFRDA).

UTI Retirement Solutions Ltd. (UTI RSL) would be governed by PFRDA Guidelines and Regulations. In addition to the Regulatory/Statutory Guidelines, UTI RSL has evolved certain additional Prudential Investment Norms for effective management of Pension Funds. These norms aim at risk containment and will contribute significantly to the Risk Management Process. Compliance to the norms would greatly diminish the risk of over exposure to a particular company or to a particular sector, while simultaneously adhering to PFRDA Guidelines on investment restrictions.

This Investment Manual is framed in order to formalize the internal processes and to guide the Fund Manager.

This document has been updated in the Board Meeting held on 25th October, 2016.

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**1. JOB RESPONSIBILITIES OF FUND MANAGEMENT
AND OTHER SUPPORT FUNCTIONS**

1.1.1 Responsibilities of CIO:

- i) CIO is responsible for the performance of the funds managed and ensure that all funds are managed as per the applicable regulatory provisions and internal norms approved by the Board from time to time. The CIO would also abide by the guidance and directions given by the Investment Management Committee and Risk Management Committee constituted by the Board of UTI-RSL.
- ii) CIO shall be guided by the strategy, policy reports and other guidelines given by the Investment Committee and the Board from time to time. The actual performance and deviation, if any, from the strategy shall be reported to the Investment Committee.
- iii) CIO continuously monitors the portfolio, including cash liquidity for the UTI-RSL as a whole.
- iv) CIO will be responsible for every investment recommendation / decision for that Fund, be it 'buy' or 'sell' either through the primary market or the secondary market.
- v) CIO should track corporate action in respect of the scrips held by the funds and coordinate with other departments to obtain requisite information regularly.
- vi) CIO should Collect data from back-office and objectively check for data integrity & material discrepancies and follow-up for corrective measures.
- vii) CIO should prepare & present investment performance & compliance related reports to the management, Board of UTI Retirement Solutions Ltd. and Pension Fund Regulatory Development Authority (PFRDA).
- viii) CIO should adhere / reply to all reports from Internal / Statutory Audits, & Compliance Cell on all investment related issues.
- ix) CIO Handles such other activities that are required to be attended to / assigned from time to time with regard to Funds Management.

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1.2 Responsibilities for Secondary Market Transactions

- i) Dealer handles activities relating to the secondary market operations through approved empanelled brokers of UTI RSL and tries to obtain the best possible prices for the purchase/sale of securities. The list of empanelled brokers is approved by Chairman of the Board of UTI-RSL and is reviewed on yearly basis.
- ii) Dealer ensures adherence to statutory guidelines and internal guidelines on distribution of business to various approved empanelled brokers.
- iii) Dealer provides feed back to CIO on market information during and beyond dealing hours.
- iv) Dealer receives bids/offers from brokers during dealing hours and accordingly informs the fund managers.
- v) Dealer handles such other activities that are required to be attended / assigned from time to time by senior management with regard to Secondary market equity dealing
- vi) These authorised 'officers' will do the dealing and conclude all the deals only from the dealing room (the record lines).

1.3 Responsibilities for Primary Market Transactions

- i) Dealer receives primary market proposals from the companies/ Intermediaries / CIO.
- ii) Dealer obtains approval of investment as per delegated Powers and issue disbursement advice/s to back office and upkeep of files and approvals.
- iii) Dealer ensures that pre-investment /Disbursement conditions are met and adhered to.
- iv) Dealer ensures adherence to the regulatory /Internal guidelines on exposure by UTI-RSL as a whole.
- v) Dealer follows-up with CIO for their options on warrant conversion dates.
- vi) Dealer receives warrant conversion details and processes as per fund managers' decision.

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- vii) Dealer maintains all records, approvals, notes and backup files in respect of all primary market investments / divestments made by all the funds of UTI RSL.

1.4 Settlement & Fund Accounts

1.4.1 Front Office Automation / Decision Support System:

The team in back office undertakes all software requirements, system administration, system co-ordination and management of front office automation activities. The activities undertaken are

- Software maintenance – integrity checks, bug identification and rectification
- Software enhancements for future requirements e.g. options dealing and accounting, Interest Rate Swaps, Securitisation of Debt, Multi Currency Dealing and accounting.
- Software vendor co-ordination
- Support Module maintenance work.
- Relevant Master updates
- Approval / Delegation Limit updates
- Submitting relevant reports to management
- Price Band updates
- Manual Delegation
- Holiday Maintenance
- Updating Investment checklists
- Changing users / user groups and team set up.

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**2. INVESTMENT DECISION MAKING PROCESS, RECORDING,
RESEARCH METHODOLOGY AND REPORT FORMAT**

2.1 The CIO will record the justification for investment decisions/ recommendations in the respective short note / detailed note initiated for the investment. The CIO shall finalise investment decision after ensuring approval of the appropriate authority as per the Delegation of Powers.

2.2 Total exposure of UTI RSL at a consolidated level would be monitored *vis-à-vis* internal guidelines as well as regulatory guidelines on prudential norms.

2.3 The Fund Manager shall submit a comprehensive report on Fund activities and performance to the Chairman of the Board quarterly.

2.4 The Board of UTI-RSL, in its meeting held on 11th April, 2008, has constituted an Investment Committee comprising of three Directors (Mr. S C Bhargava, Mr. A. Krishna Rao, Mr. S. Venkatraman), CEO and CIO. The Investment Committee would primarily look after the following functions:

- a) implementation of the investment policy as approved by the Board;
- b) review the changes, if any and forward its recommendation to the Board; and
- c) providing over all guidance and directions on the management of the Fund in the best interest of the subscribers on various investment related matters, including issues relating to liquidity, prudential norms, exposure limits, stop loss limits in securities trading, management of all investment & market risks, management of assets liabilities mismatch, investment audits and investment statistics, etc. and the provisions of the PFRDA guidelines/directions.

In particular the Investment Committee shall give its guidance and directions, within the over all guidelines of PFRDA, on the following aspects:-

1. Broad Asset classification as to various assets categories such as Central Government Securities, State Government Securities, Units (gilt/Equity linked Schemes) of Mutual Funds, Bonds/ Securities (Public Financial Institutions, Public Sector Companies and Private Sector Companies), Fixed Deposits of Public Sector Banks, CBLO and Equity Shares of the Companies
2. List of Companies available for investment in debt /equity instruments
3. To decide on the Benchmark and Peer group of the Fund to track the performance of the fund
4. the proportion of the portfolio available for active management
5. To consider and approve the investment proposals which do not fall under the delegation powers of CEO.

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6. Other matters which may be delegated by the Board from time to time.

The CIO shall adhere to the guidance and directions given by the Investment Committee from time to time.

The Investment Management Committee was reconstituted in the Board Meeting held on 27th March, 2009 comprising of the following:

- a) Mr. S. Venkatraman, Chairman
- b) Mr. Gautam Bhardwaj, Member,
- c) Chief Executive Officer, Member
- d) Chief Investment Officer, Member

The Investment Management Committee was reconstituted in the Board Meeting held on 5th September, 2011 comprising of the following:

- a) Mr. S. Venkatraman, Chairman
- a) Chief Executive Officer, Member
- b) Chief Investment Officer, Member

The Investment Management Committee was reconstituted in the Board Meeting held on 15th January, 2014 comprising of the following:

- a) Mr. S. Venkatraman, Director
- b) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
- c) Ms. Silpita Guha, Chief Investment Officer as Member

The Investment Management Committee was reconstituted in the Board Meeting held on 12th January, 2016 comprising of the following:

- a) Mr. S. Venkatraman, Director
- b) Mr. P. H. Ravikumar, Director
- c) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
- d) Ms. Silpita Guha, Chief Investment Officer as Member

The roles and other functions of the Committee remain same.

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3. INVESTMENT NORMS AND PRUDENTIAL GUIDELINES

A. INVESTMENT RESTRICTIONS FOR GOVT. SECTOR PENSION ASSET
(including Central Govt. Scheme, State Govt. Scheme, NPS Lite and APY)

Sr. No.	PFRDA Guidelines (w.e.f. 10/06/2015)	Limits	Compliance / Adherence Requirements						
(i)	Government Securities and related Investments	upto 50%	☞ The exposure to a Single Mutual Fund Scheme shall not be more than 25% of the Scheme's AUM at the time of Investment.						
(ii)	Debt Instruments and related Investments	upto 45 %	<p>(a) Exposure to one PFI or Public Sector Companies / Body Corporate/ Banks shall not exceed the under noted limits:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: center;">Rating of the Instrument</th> <th style="text-align: center;">% of AUM</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">AAA/Corresponding Highest short term rating</td> <td style="text-align: center;">15%</td> </tr> <tr> <td style="text-align: center;">AA+, AA, /corresponding short term rating</td> <td style="text-align: center;">10%</td> </tr> </tbody> </table> <p>The debt exposure to any unlisted company or SPV shall not exceed 1% of total AUM of the Pension Fund.</p> <p>All investments in unlisted bonds of NBFCs and real estate companies will be subject to approval of Investment Committee.</p> <p>The debt exposure to one Private sector company shall not exceed 5% of total AUM of Pension Fund and should not be rated below AA or equivalent.</p> <p>(b) The exposure in one Public Sector Bank shall not exceed 20% of total AUM and in case of Private Banks 10% of the total AUM of the Pension Fund.</p> <p>Investment in Private Sector Banks would be restricted to HDFC Bank, Axis Bank and ICICI bank only provided all the conditions mentioned in proviso to Clause (ii) (b) are fulfilled.</p>	Rating of the Instrument	% of AUM	AAA/Corresponding Highest short term rating	15%	AA+, AA, /corresponding short term rating	10%
Rating of the Instrument	% of AUM								
AAA/Corresponding Highest short term rating	15%								
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			(c) Any investment in NBFCs below AAA would continue to be referred to the Investment Management Committee.
(iii)	Short term debt instruments and Related Investments	upto5%	<p>The exposure to a single Mutual Fund Scheme shall not be more than 25% of the scheme's AUM at the time of investment.</p> <p>Investment in Money Market instruments should be in companies / Banks / Body Corporate etc. with a minimum rating of P1 (or equivalent).</p>
(iv)	Equities and related Investments	upto 15%	<p>a. Exposure to be taken only in BSE 200 and Nifty 50 stocks, for which derivatives are available in Bombay Stock Exchange or National Stock Exchange or equity linked schemes of mutual funds regulated by the Securities and Exchange Board of India.</p> <p>b. Investments in companies other than above to be done with the approval of Investment Committee.</p> <p>c. Exposure to one company shall not exceed</p> <p style="padding-left: 20px;">(i) 1.5% of the Fund Size at the time of investment or</p> <p style="padding-left: 20px;">(ii) 10% of the paid up capital of the investee Company, whichever is lower.</p> <p>d. Exposure in one sector shall not exceed the "Sector weight in BSE 200 + 10%".</p>

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B. Investment Guidelines for Private Sector NPS {applicable to E (Tier- I & II),C (Tier I & II), and G (Tier – I & II)} w.e.f. 10th September, 2015

Private Sector subscribers of NPS have the option of following asset allocation:

Sr. No.	PFRDA Guidelines	Scheme	Limits
1.	Government Securities and related Investments	Scheme G Tier I and Scheme G Tier II	Upto 100%
2.	Debt Instruments and related Investments	Scheme C Tier I and Scheme C Tier II	Upto 100%
3.	Asset Backed, Trust Structured and Miscellaneous Investments		Upto 5%
4.	Equities and Related Investments	Scheme E Tier I and Scheme E Tier II	Upto 100%
5.	Money Market Instruments – not exceeding a limit of 5% of the Scheme Corpus on temperate basis	Scheme E, C & G.	Upto 5%

Investment Guidelines for Private Sector NPS {applicable to A (Tier- I & II) w.e.f. 7th October, 2016

The investment avenues in the new Asset Class A are as under:

- a. Commercial mortgage based securities or Residential mortgaged based securities
- b. Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India
- c. Asset backed securities regulated by the Securities and Exchange Board of India
- d. Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India
- e. Alternative Investment Funds (AIF Category I & II) registered with Securities and Exchange Board of India.

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C. Further Guidelines (for both Private Sector & Govt. Sector NPS, NPS Lite and APY):-

1. Fresh accretions to the fund will be invested in the permissible categories specified in this investment pattern in a manner consistent with the above specified maximum permissible percentage amounts to be invested in each such investment category, while also complying with such other restrictions as made applicable for various sub – categories of the permissible investments.
2. Fresh accretions to the funds shall be the sum of un – invested funds from the past and receipts like contributions to the funds, dividend / interest / commission, maturity amounts of earlier investments etc., as reduced by obligatory outgo during the financial year.
3. Proceeds arising out of exercise of put option, tenure or asset switch or trade of any asset before maturity can be invested in any of the permissible categories described above in the manner that at any given point of time the percentage of assets under that category should not exceed the maximum limit prescribed for that category and should not exceed the maximum limit prescribed for the sub – categories, if any. However, asset switch because of any RBI mandated Government debt switch would not be covered under this restriction.
4. If for any of the instruments mentioned above the rating falls below the minimum permissible investment grade prescribed for investment in that instrument when it was purchased, as confirmed by one credit rating agency, the option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.
5. On these guidelines coming into effect, the above prescribed investment pattern shall be achieved separately for each successive financial year through timely and appropriate planning.
6. The prudent investment of the funds within the prescribed pattern is the fiduciary responsibility of the Pension Funds and Trust and needs to be exercised with appropriate due diligence. The Trust and Pension Fund would accordingly be responsible for investment decisions taken to invest the funds.

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7. The Pension Funds and Trust will take suitable steps to control and optimize the cost of management of the fund.
8. i. The Trust and Pension Funds will ensure that the process of the investment is accountable and transparent.

ii. It will be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the fund in that particular asset and also during the period over which it is held by the fund. The requirement of ratings as mandated in this notification merely intends to limit the risk associated with investments at a broad and general level. Accordingly, it should not be construed in any manner as an endorsement for investment in any asset satisfying the minimum prescribed rating or a substitute for the due diligence prescribed for being carried out the fund.
9. Due cautions will be exercised to ensure that the same investments are not churned with a view to enhancing the fee payable, in this regard, commissions for investments in Category III instruments will be carefully charged, in particular.
10. Investments in an Initial Public Offering (IPO) / Follow on Public Offer (FPO) are allowed in respective asset class.
(not allowed in Govt. Sector NPS, NPS Lite and APY)
11. Following restrictions / filter are being imposed for Government NPS Schemes (Applicable to Government Sector, Corporate CG and NPS Lite Schemes of NPS and Atal Pension Yojana) to reduce concentration risks in the NPS investment of the subscribers:
 - a) NPS investments have been restricted to 5% of the 'paid up equity capital'* of all the sponsor group companies or 5% of the total AUM under Equity exposure whichever is lower, in each respective scheme and 10% in the paid up equity capital of all the non-sponsor group companies or 10% of the total AUM under Equity exposure whichever is lower, in each respective scheme.

*'Paid up share capital': Paid up share capital means market value of paid up and subscribed equity capital.

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- b) NPS investments have been restricted to 5% of the 'net-worth'# of all the sponsor group companies or 5% of the total AUM in debt securities (excluding Govt. securities) whichever is lower in each respective scheme and 10% of the net-worth of all the non-sponsor group companies or 10% of the total AUM in debt securities (excluding Govt. securities) whichever is lower, in each respective scheme.

#Net Worth: Net worth would comprise of Paid-up capital plus Free Reserves including Share Premium but excluding Revaluation Reserves, plus Investment Fluctuation Reserve and credit balance in Profit & Loss account, less debit balance in Profit and Loss account, Accumulated Losses and Intangible Assets.

- c) Investment exposure to a single Industry has been restricted to 15% under all NPS Schemes by each Pension Fund Manager as per Level-5 of NIC classification. Investment in scheduled commercial bank FDs would be exempted from exposure to Banking Sector.
- d) If the PF makes investments in Equity / Debt instruments, in addition to the investments in Index Funds / ETF / Debt MF, the exposure limits under such Index Funds / ETF / Debt MF should be considered for compliance of the prescribed Industry Concentration, Sponsor / Non – sponsor group norms. (For example, if on account of investment in Index Funds / ETFs/Debt MFs, if any of the concentration limits are being breached than further investment should not be made in the relative Industry / Company).

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D. Definition of various category of securities:

Sr. No.	Category of Securities	Definition
1.	Government Securities and related Investments	<p>a. Government Securities</p> <p>b. Other Securities {Securities as defined in Section 2(h) of the Securities Contracts (Regulations) Act, 1956} the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government</p> <p>The portfolio invested under this sub – category of securities shall not be in excess of 10% of the total portfolio of the G – Sec in the concerned NPS Scheme of the Pension Fund at any pint of time.</p> <p>c. Units of mutual funds set up as dedicated funds for investment in Government securities and regulated by the Securities & Exchange Board of India</p> <p>Provided that the portfolio invested in such mutual funds shall not be more than 5% of the G – Sec in the concerned NPS Scheme of the pension fund at any point of time and fresh investments made in them shall not exceed 5% of the fresh accretion in the year.</p>
2.	Debt Instruments and related Investments	<p>(a) Listed (or proposed to be listed in case of fresh issue) debt securities issued by bodies corporate, including banks and public financial institutions (Public Financial Institutions as defined under Section 2 of the Companies Act, 2013), which have a minimum residual maturity period of three years from the date of investment.</p> <p>(b) Basel III Tier – 1 Bonds issued by scheduled commercial banks under RBI Guidelines:</p> <p>Provided that in case of initial offering of the bonds the investment shall be made only in such Tier – 1 bonds which are proposed to be listed.</p> <p>Provided further that investment shall be made in such bonds of a scheduled commercial bank from the secondary market only if such Tier I bonds are listed.</p> <p>Total portfolio invested in this sub – category, at any time, shall not be more than 2% of the total portfolio of the fund.</p>

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No investment in this sub – category in initial offerings shall exceed 20% of the initial offering. Further, at any point of time, the aggregate value of Tier I bonds of any particular bank held by the funds shall not exceed 20% of such bonds by that bank.

- (c) Rupee Bonds having an outstanding maturity of at least 3 years issued by institutions of the International Bank for Reconstruction and Development, International Finance Corporation and the Asian Development Bank.
- (d) Term deposit Receipts of not less than one year duration issued by scheduled commercial banks, which satisfy the following conditions on the basis of published annual report(s) for the most recent years, as required to have been published by them under law:
 - (i) Having declared profit in the immediately preceding three financial years;
 - (ii) maintaining a minimum Capital to Risk Weighted Assets Ratio of 9%, or mandated by prevailing RBI norms, whichever is higher;
 - (iii) having net non-performing assets of not more than 4% of the net advances;
 - (iv) having a minimum net worth of not less than Rs. 200 crores.
- (e) Units of Debt Mutual Funds as regulated by Securities and Exchange Board of India;
- (f) The following infrastructure related debt instruments:
 - (i) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporates engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing.

Further, this category shall also include securities issued by Indian Railways or any of the body corporates in which it has majority shareholding.

This category shall also include securities issued by any Authority of the Government which is not a body corporate and has been formed mainly with the purpose of promoting development of infrastructure.

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It is further clarified that any structural obligation undertaken or letter of comfort issued by the Central Government, Indian Railways or any Authority of the Central Government, for any security issued by a body corporate engaged in the business of infrastructure, which notwithstanding the terms in the letter of comfort or the obligation undertake, fails to enable its inclusion as security covered under category (i) (b) above, shall be treated as an eligible security under this sub – category.

(ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions specified in (ii) (d) above.

(iii) Listed (or proposed to be listed in case of fresh issue) securities issued by Infrastructure debt funds operating as a Non – Banking Financial Company and regulated by Reserve Bank of India.

(iv) Listed (or proposed to be listed in case of fresh issue) units issued by Infrastructure Debt Funds operating as a Mutual Fund and regulated by Securities and Exchange Board of India.

It is further clarified that, barring exceptions mentioned above, for the purpose of this sub – category (f), a sector shall be treated as part of infrastructure as per Government of India’s harmonized master list of infrastructure sub – sectors.

(g) Listed and proposed to be listed Credit Rated Municipal Bonds
(not allowed in Govt. Sector NPS, NPS Lite and APY)

Provided that the investment under sub – categories (a), (b), (f) (i) to (iv) and (g) of this category no. (ii) shall be made only in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with the Securities and Exchange Board of India under Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999.

Provided further that in case of the sub – category (f) (iii) the rating shall relate to the Non – Banking Financial Company and for the sub – category (f) (iv) the ratings shall relate to the investment in eligible securities rated above investment grade of the scheme of the fund.

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Provided further that if the securities / entities have been rated by more than two rating agencies, the two lowest of all the ratings shall be considered.

Provided further that investments under this category requiring a minimum AA rating, as specified above, shall be permissible in securities having investment grade rating below AA in case the risk of default for such securities is fully covered with Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased alongwith the underlying securities. Purchase amount of such Swaps shall be considered to be investment made under this category.

For sub – category (c), a single rating of AA or above by a domestic or international rating agency will be acceptable.

It is clarified that debt securities covered under category (i) (b) above are excluded from this category.

Miscellaneous Investments (upto 5%)

- (a) Commercial mortgage based Securities or Residential mortgage based securities
- (b) Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.
- (c) Asset Backed Securities regulated by the Securities and Exchange Board of India.
- (d) Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.

Provided that investment under this category shall only be in listed infrastructure or fresh issues that are proposed to be listed.

Provided further that investment under this category shall be made only in such securities which have minimum AA or equivalent rating in the applicable rating scale from at least two credit rating agencies registered under Securities and Exchange Board of India (Credit Rating Agency) Regulations, 1999.

Provided further that in case of the sub – category (a) and (d) the rating shall relate to the rating of the sponsor entity floating the trust. Provided further that if the securities / entities have been rated by more than two rating agencies, the two lowest of the ratings shall be considered.

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3.	Equities and related Investments	<p>(a) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which have:</p> <p>(i) Market Capitalisation of not less than Rs. 5000 crores as on the date of investment;</p> <p>(ii) And derivatives with the shares as underlying traded in the either of the two stock exchange.</p> <p>(b) Units of Mutual funds regulated by the Securities and Exchange Board of India, which have minimum 65% of their investment in shares of body corporates listed on BSE or NSE.</p> <p>(c) Exchange Traded Funds (ETFs) / Index Funds regulated by the Securities and Exchange Board of India that replicate the portfolio of either BSE Index or NSE Nifty 50 Index.</p> <p>(d) ETFs issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body corporates.</p> <p>(e) Exchange traded derivatives regulated by Securities and Exchange Board of India having the underlying of any permissible listed stock or any of the permissible indices, with the sole purpose of hedging.</p> <p>Provided that the portfolio invested in derivatives in terms of contract value shall not be in excess of 5% of the total portfolio invested in sub – categories (a) to (d) above.</p>
4.	Short term debt instruments and Related Investments	<p>(a) Money market instruments: (not exceeding a limit of 5% of the scheme corpus on temperate basis only)</p> <p>Provided that investment in commercial paper issued by body corporate shall be made only in such instruments which have minimum rating of A1+ by at least two credit rating agencies registered with the Securities and Exchange Board of India.</p> <p>Provided further that if commercial paper has been rated by more than two rating agencies, the two lowest of the ratings shall be considered.</p> <p>Provided further that investment in this sub – category in Certificates of Deposit of up to one year duration issued by scheduled commercial banks, will require the bank to satisfy all conditions mentioned in category (ii) (d) above.</p>

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		<p>(b) Units of liquid mutual funds regulated by Securities and Exchange Board of India with the condition that the average total asset under management of AMC for the most recent six month period of atleast Rs. 5000/- crores.</p> <p>(c) Term Deposit Receipts of upto one year duration issued by such scheduled commercial banks which satisfy all conditions mentioned in category (ii) (d) above.</p>
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4. DELEGATION OF POWER FOR INVESTMENTS OF
PENSION FUNDS

The NPS corpus will be invested in accordance with the below – mentioned delegation of powers as approved by the Board in its meeting held on 12th January, 2016.

A. Overall limit applicable across all the NPS Schemes managed by UTIRSL for the transactions during the day.

Sr. No.	Type of Security / Investment category	Delegated authority		
		CIO	CIO in consultation with CEO	Approval of Investment Management Committee of Board
1.	a) Government Securities and units of dedicated G-Sec schemes of Mutual funds, b) Debt instruments with AAA rating from atleast 2 credit rating agencies. c) Term deposits with PSU Banks; d) CBLO issued by Clearing Corporation of India Limited and approved by RBI.	Rs. 100 Crores	Above Rs.100 Crores and upto Rs. 250 Crores	Above Rs.250 Crores
2.	Auction in the G – Sec	Upto Rs. 200 Crores	Above Rs.200	Fully authorized
3.	Debt instruments with credit rating below 'AAA' but with credit rating of AA and above (i.e. the minimum acceptable rating is AA from atleast 2 credit rating agencies)	Nil	upto Rs. 50 Crores	Above Rs.50 Crores

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4.	Equities and related investment and equity linked mutual funds	Upto Rs. 25 Crores	Above Rs. 25 Crores and upto Rs. 50 Crores	Above Rs. 50 Crores
5.	Liquid funds / Money Market Instruments for the purpose of temporary parking of funds	Fully authorized	Fully authorized	Fully authorized

B. Company – wise limit for the transaction across all the NPS Schemes managed by UTI RSL for the transactions during the day: -

Sr. No.	Type of Security / Investment category	Delegated authority		
		CIO	CIO in consultation with CEO	Approval of Investment Management Committee of Board
1.	The total value of Equity Shares transacted in one day in one company	Rs. 10 Crores OR Not more than 5% of the Scheme for one company OR Not more than 1% of paid up equity paid up capital of the said company Whichever is lower	Above Rs. 10 Crores and upto Rs. 25 Crores OR Not more than 7.5% of the Scheme for one company OR Not more than 2% of paid up equity paid up capital of the said company Whichever is lower	All powers in excess of the delegated authority of CIO & CEO.

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The Above delegation of powers is subject to the following:-

1. Minimum credit rating shall be “AA” by atleast two registered Credit Rating Agencies.
2. If the securities / entities have been rated by more than two rating agencies, the two lowest of all the ratings shall be considered.
3. The investments in the following shall be made only after the prior approval of the Investment Management Committee of the Board:-
 - a) Debt instruments of NBFCs rated below AAA; and
 - b) Securities of real estate Companies, SPVs and / or Unlisted Companies; and

C. Reporting mechanism:

1. All deals carried out during the day shall be reported to the CEO at the end of day.
2. A Monthly Transaction Report shall be submitted to the Chairman – UTIRSL
3. Quarterly report on the Securities Transactions and Performance of the NPS Schemes shall be submitted to the Investment Management Committee and Board.

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5. VALUATION PRINCIPLES

Valuation Policies have been specified in Clause III of Schedule A of the PFRDA (Preparation of Financial Statements and Auditor's Report of schemes under National Pension System) Guidelines -2012.

However, As per Clause 3.31 of the Investment Management Agreement (for Govt. Sector Employees) entered into with the NPS Trust, the PF shall adhere to the valuation practices as notified by PFRDA from time to time.

Also, as per Clause 4.31 of the Investment Management Agreement (for Private Sector) entered into with the NPS Trust, the PF shall adhere to the valuation practices / procedures as notified by PFRDA / NPS Trust from time to time.

NPS Trust had hired services of Stock Holding Corporation of India Limited for providing valuation services to the Pension Fund Managers.

Therefore, valuation is done by the Stock Holding Corporation of India Limited.

6. LIQUIDITY:

The Fund Manager / back office will prepare a Cash Flow Statement on a daily basis, to ascertain the funds available for investment.

At the end of the day Central Record Keeping Agency (CRA) uploads the scheme – wise estimated amount to be available on next day on its website on which inter-connectivity has been provided for intermediaries.

At the end of the day, after uploading the NAV, the back office will download the file / information regarding the fund flow for next day from the CRA website and forward it to the Fund Manager / Chief Investment Officer and Chief Executive Officer. Based on this information Fund Manager will prepare the Cash Flow Statement.

The Cash Flow Statement will facilitate the CIO / Fund Managers to utilize it for investment / deployment.