

The salient features of the uniform deposit policy approved by CIL Board in its 235th meeting held on 25 September 2007 and subsequent amendment in 249th meeting held on 10 April 2009 along with DPE guidelines received after approval of uniform deposit policy are as under:

1. As per existing RBI guidelines, PSUs are allowed to invest in any scheduled bank incorporated in India having net-worth of Rs.100 crores and above and fulfilling the Capital Adequacy Ratio (CAR) norm as prescribed by RBI (presently 9%). In order to have manageable number of banks with sound financials to deal with, **it has been decided that only such banks having net-worth of Rs.1500 crores and above with CAR exceeding 10% be selected for placing deposits.**

In pursuance to the above, a list of 18 banks was identified initially for placement of deposits by CIL and its subsidiaries. Subsequently, IDBI Bank was included in the list taking the number of banks to 19. Further, during October 2009, with the approval of the competent authority, Central Bank of India has been disqualified for doing all future business especially placement of fixed deposit by CIL and its Subsidiary Companies till further order. **At present, there are 18 banks, which are eligible to receive deposit from CIL and its Subsidiary Companies. A list of these banks is placed at Annexure-1 (Revised as per Balance Sheet of 31.3.2009 of the banks). CIL and its Subsidiaries shall place deposits with the banks from the said list.**

2. The CIL Board, in order to balance the risk and return on the portfolios of CIL and its subsidiaries, approved that the fixed deposit is to be placed with the banks offering highest rate of interest within exposure limit of each bank. The methodology of calculating exposure limit is described in Para-3. In a subsequent development, pursuant to the DPE guidelines, in order to avoid undesirable competition amongst banks leading to arbitrary hikes in deposit rates, with adverse consequences for the economy, the practice of inviting competitive bids for bulk deposits was discontinued. **Thus, at present, as per subsequent DPE guidelines, CIL and its Subsidiaries shall place with banks at prevailing best available card rate subject to exposure limit of each bank as described in Para-3.**

3. Keeping in view the importance of net-worth, which determines the size and strength of banks, Net-worth (Equity Capital plus Free Reserves) of banks meeting CAR requirements are considered as criteria for determining the exposure limit of the bank. **Exposure limit of the banks at different range of net-worth for CIL and its each Subsidiary were decided initially as follows:**

Table

	Range of Net-worth	Maximum exposure limit % of total cumulative deposit
Private and Nationalized Banks	1500-5000	10%
	5001 and 10000	15%
	10001 and above	20%

However, there shall be no cap **on maximum limit for State Bank of India**. In a later development, the maximum exposure limit of **individual private bank has been restricted to 10% of total cumulative deposit irrespective of net-worth**. Moreover, overall exposure limit in private banks will be restricted to 25% of the total deposit.

4. In respect of methodology of placement of deposit with the banks, the approvals of the CIL Board are as under:

- i) The subsidiaries should go for selection of one specific branch of a bank at a particular location from the list of eighteen banks at Annexure-1. It is advised that the subsidiaries as well as CIL shall go for opening current account at the branches of the banks eligible to accept deposits. Subsidiaries shall go for placing deposit with the branches nominated by the respective banks. Such lists have been forwarded by CIL to Subsidiaries from time to time. **Further, DPE in its guidelines dated 15.1.2008 and 11.4.2008 directed that PSEs should place their bulk deposits with such banks with whom they have regular course of business.**
- ii) While selecting branches under Annexure-I, subsidiaries should give priority to those branches which have the facilities of Real Time Gross Settlement (RTGS)/ Core Banking Solution (CBS).
- iii) The subsidiaries may adopt policies for depositing surpluses through its desk offices located **at Kolkata for better connectivity with the financial market besides its Command Areas.**

5. In respect of methodology of placing deposits, it is emphasized that CIL and its subsidiaries shall strictly adhere to the

6. All the fund managers of CIL and its subsidiaries shall assess investible surplus funds on a daily basis and ensure that no fund remains idle in the current account. In order to avoid loss of interest, it is required to maintain CLTD A/c with the bank(s) where funds are lying. If the CLTD arrangement is not there with a particular bank, the investible funds may be placed in short-term deposits with the banks for 7-10 days with immediate effect. On maturity of such short-term deposits placed from time to time, the said amount may be placed with the banks as per the policy mentioned above subject to the exposure limit of the bank.
7. The Para 4 of OM dated 14.12.1994 issued by DPE, stipulates inter-alia, that decision for investing short- term surplus funds up to one year maturity is to be taken by a designated group of Directors from among the functional Directors that should include Chairman and Director (Finance). Placing funds in CIL and its subsidiaries is a day-to-day operation, which is difficult to be carried out in the manner suggested in the said guidelines. However, keeping the spirit of the guideline and in order to ensure complete transparency, a Committee of at least two members from Finance Division may be constituted comprising HOD of Finance, who shall chair the proceedings with other member(s) of the rank of CFM (E8). The Committee shall have the power to approve a deposit proposal put up by the officer(s) in charge of the treasury operations. In case, treasury operations of the subsidiaries are carried out from Kolkata, such proposal should, at the first instance be sent by FAX/ Email to the subsidiary (HQs) for approval by the Committee. Since time is the essence in active treasury operation, such proposals should be immediately taken up by the Committee and decision communicated by FAX/ Email to the Kolkata office.
8. Based on above suggested methodology, bank card rate for funds available for each case of deposit is to be obtained from the selected branches of the listed banks. If any nominated branch of a bank is not in a position to submit the card rate, the same shall be recorded in writing. The officer(s) in charge of the treasury operation shall initiate a proposal along with the card rates received from all the selected banks / branches in line with the guidelines detailed above. The proposal shall suggest placement of fund among banks, which qualify to accept deposits as per the policy, and thereafter placed before the Committee for approval. The proposal shall be acted upon its approval.
9. There shall be a system in place for submission of monthly report detailing the placements of funds made during that particular month to the Director (Finance) and to the Chairman/CMD. A quarterly report shall be furnished to the Board of Directors informing the annualized return on the deposits placed during the last quarter.
10. All other guidelines contained in the approved Investment Policy of CIL, which have not been expressly dealt herein as laid down in the Uniform Deposit Policy shall continue.

Annexure-1

List of Banks eligible to accept Fixed Deposit from CIL and its Subsidiaries

Name of the Bank	Networth (Rs. Cr.) As on 31.3.2009	Capital Adequacy Ratio As on 31.03.09
1 State Bank of India	56038	11.51%
2 ICICI Bank	49533	15.53%
3 Punjab Natinal Bank	13140	14.03%
4 Bank Of Borada	12836	14.05%
5 Canara Bank	10040	14.10%
6 HDFC Bank	15047	15.70%
Oriental Bank of		
7 Commerce	7403	12.98%
8 Bank Of India	11144	13.01%
9 Union Bank of India	6964	13.27%
10 Allahabad Bank	4979	13.11%
11 Corporation Bank	4897	13.61%
12 Andhra Bank	3667	13.22%
13 UTI	9757	13.69%
14 Syndicate Bank	4592	12.68%
15 UCO Bank	3957	11.43%
16 Bank Of Maharastra	2517	12.50%
17 United Bank of India	4460	13.28%
18 IDBI Bank	9424	11.57%