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# PRESS BRIEFS ON BUDGET ANNOUNCEMENTS 2015-16

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**<u>Press Brief No. 1 of 9</u>**

## Highlights of the Pradhan Mantri Suraksha Bima Yojana (PMSBY – Scheme 1 - for Accidental Death Insurance)

**Eligibility**: Available to people in age group 18 to 70 years with bank account.

**Premium:** Rs.12 per annum.

**Payment Mode:** The premium will be directly auto-debited by the bank from the subscribers account. This is the only mode available.

**Risk Coverage:** For accidental death and full disability - Rs.2 Lakh and for partial disability – Rs.1 Lakh.

**Eligibility:** Any person having a bank account and Aadhaar number linked to the bank account can give a simple form to the bank every year before $1^{st}$ of June in order to join the scheme. Name of nominee to be given in the form.

**Terms of Risk Coverage:** A person has to opt for the scheme every year. He can also prefer to give a long-term option of continuing in which case his account will be auto-debited every year by the bank.

**Who will implement this Scheme?:** The scheme will be offered by all Public Sector General Insurance Companies and all other insurers who are willing to join the scheme and tie-up with banks for this purpose.

**Government Contribution:**

(i) Various Ministries can co-contribute premium for various categories of their beneficiaries from their budget or from Public Welfare Fund created in this budget from unclaimed money. This will be decided separately during the year.

(ii) Common Publicity Expenditure will be borne by the Government.

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## Highlights of the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY – Scheme 2 - for Life Insurance cover)

**Eligibility:** Available to people in the age group of 18 to 50 and having a bank account. People who join the scheme before completing 50 years can, however, continue to have the risk of life cover up to the age of 55 years subject to payment of premium.

**Premium:** Rs.330 per annum. It will be auto-debited in one instalment.

**Payment Mode:** The payment of premium will be directly auto-debited by the bank from the subscribers account.

**Risk Coverage:** Rs.2 Lakh in case of death for any reason.

**Terms of Risk Coverage:** A person has to opt for the scheme every year. He can also prefer to give a long-term option of continuing, in which case his account will be auto-debited every year by the bank.

**Who will implement this Scheme?:** The scheme will be offered by Life Insurance Corporation and all other life insurers who are willing to join the scheme and tie-up with banks for this purpose.

**Government Contribution:**

(i) Various other Ministries can co-contribute premium for various categories of their beneficiaries out of their budget or out of Public Welfare Fund created in this budget out of unclaimed money. This will be decided separately during the year.

(ii) Common Publicity Expenditure will be borne by Government.

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## PRESS BRIEF No. 3 of 9

## Introduction of the Atal Pension Yojana

The Government of India is extremely concerned about the old age income security of the working poor and is focused on encouraging and enabling them to join the National Pension System (NPS). To address the longevity risks among the workers in unorganised sector and to encourage the workers in unorganised sector to voluntarily save for their retirement, who constitute 88% of the total labour force of 47.29 crore as per the 66th Round of NSSO Survey of 2011-12, but do not have any formal pension provision, the Government had started the Swavalamban Scheme in 2010-11. However, coverage under Swavalamban Scheme is inadequate mainly due to lack of clarity of pension benefits at the age after 60.

2. The Finance Minister has, therefore, announced a new initiative called Atal Pension Yojana (APY) in his Budget Speech for 2015-16. The APY will be focussed on all citizens in the unorganised sector, who join the National Pension System (NPS) administered by the Pension Fund Regulatory and Development Authority (PFRDA) and who are not members of any statutory social security scheme. Under the APY, the subscribers would receive the fixed pension of Rs. 1000 per month, Rs. 2000 per month, Rs. 3000 per month, Rs. 4000 per month, Rs. 5000 per month, at the age of 60 years, depending on their contributions, which itself would vary on the age of joining the APY. The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years or more. The benefit of fixed pension would be guaranteed by the Government. The Central Government would also co-contribute 50% of the subscriber's contribution or Rs. 1000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years, i.e., from 2015-16 to 2019-20, who join the NPS before 31st December, 2015 and who are not income tax payers. The APY would be launched from 1st June, 2015. The existing subscribers of Swavalamban Scheme would be automatically migrated to APY, unless they opt out.

3. A copy of the Note on APY is enclosed.

**Note on Atal Pension Yojana**

**Benefit of APY:** Fixed pension for the subscribers ranging between Rs. 1000 to Rs. 5000, if he joins and contributes between the age of 18 years and 40 years. The contribution levels would vary and would be low if subscriber joins early and increase if he joins late.

**Eligibility for APY:** Atal Pension Yojana (APY) is open to all bank account holders who are not members of any statutory social security scheme.

**Age of joining and contribution period:** The minimum age of joining APY is 18 years and maximum age is 40 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years or more.

**Focus of APY:** Mainly targeted at unorganised sector workers.

**Enrolment and Subscriber Payment:** All bank account holders under the eligible category may join APY with auto-debit facility to accounts, leading to reduction in contribution collection charges.

**Enrolment agencies:** All Points of Presence (Service Providers) and Aggregators under Swavalamban Scheme would enrol subscribers through architecture of National Pension System.

**Operational Framework of APY:** It is Government of India Scheme, which is administered by the Pension Fund Regulatory and Development Authority. The Institutional Architecture of NPS would be utilised to enrol subscribers under APY.

**Funding of APY:** Government would provide (i) fixed pension guarantee for the subscribers; (ii) would co-contribute 50% of the subscriber contribution or Rs. 1000 per annum, whichever is lower, to eligible subscribers; and (iii) would also reimburse the promotional and development activities including incentive to the contribution collection agencies to encourage people to join the APY.

**Age of Joining, Contribution Levels, Fixed Monthly Pension and Return of Corpus to the nominee of subscribers**

The Table of contribution levels, fixed monthly pension to subscribers and his spouse and return of corpus to nominees of subscribers and the contribution period is given below. For example, to get a fixed monthly pension between Rs. 1,000 per month and Rs. 5,000 per month, the subscriber has to contribute on monthly basis between Rs. 42 and Rs. 210, if he joins at the age of 18 years.

For the same fixed pension levels, the contribution would range between Rs. 291 and Rs. 1,454, if the subscriber joins at the age of 40 years.

**Table of contribution levels, fixed monthly pension of Rs. 1,000 per month to subscribers and his spouse and return of corpus to nominees of subscribers and the contribution period under Atal Pension Yojana**

| Age of Joining | Years of Contribution | Indicative Monthly Contribution (in Rs.) | Monthly Pension to the subscribers and his spouse (in Rs.) | Indicative Return of Corpus to the nominee of the subscribers (in Rs.) |
|---|---|---|---|---|
| 18 | 42 | 42 | 1,000 | 1.7 Lakh |
| 20 | 40 | 50 | 1,000 | 1.7 Lakh |
| 25 | 35 | 76 | 1,000 | 1.7 Lakh |
| 30 | 30 | 116 | 1,000 | 1.7 Lakh |
| 35 | 25 | 181 | 1,000 | 1.7 Lakh |
| 40 | 20 | 291 | 1,000 | 1.7 Lakh |

**Table of contribution levels, fixed monthly pension of Rs. 2,000 per month to subscribers and his spouse and return of corpus to nominees of subscribers and the contribution period under Atal Pension Yojana**

| Age of Joining | Years of Contribution | Indicative Monthly Contribution (in Rs.) | Monthly Pension to the subscribers and his spouse (in Rs.) | Indicative Return of Corpus to the nominee of the subscribers (in Rs.) |
|---|---|---|---|---|
| 18 | 42 | 84 | 2,000 | 3.4 lakh |
| 20 | 40 | 100 | 2,000 | 3.4 lakh |
| 25 | 35 | 151 | 2,000 | 3.4 lakh |
| 30 | 30 | 231 | 2,000 | 3.4 lakh |
| 35 | 25 | 362 | 2,000 | 3.4 lakh |
| 40 | 20 | 582 | 2,000 | 3.4 lakh |

**Table of contribution levels, fixed monthly pension of Rs. 3,000 per month to subscribers and his spouse and return of corpus to nominees of subscribers and the contribution period under Atal Pension Yojana**

| Age of | Years of | Indicative | Monthly Pension | Indicative Return |
|---|---|---|---|---|

| Joining | Contribution | Monthly Contribution (in Rs.) | to the subscribers and his spouse (in Rs.) | of Corpus to the nominee of the subscribers (in Rs.) |
|---|---|---|---|---|
| 18 | 42 | 126 | 3,000 | 5.1 Lakh |
| 20 | 40 | 150 | 3,000 | 5.1 Lakh |
| 25 | 35 | 226 | 3,000 | 5.1 Lakh |
| 30 | 30 | 347 | 3,000 | 5.1 Lakh |
| 35 | 25 | 543 | 3,000 | 5.1 Lakh |
| 40 | 20 | 873 | 3,000 | 5.1 Lakh |

**Table of contribution levels, fixed monthly pension of Rs. 4,000 per month to subscribers and his spouse and return of corpus to nominees of subscribers and the contribution period under Atal Pension Yojana**

| Age of Joining | Years of Contribution | Indicative Monthly Contribution (in Rs.) | Monthly Pension to the subscribers and his spouse (in Rs.) | Indicative Return of Corpus to the nominee of the subscribers (in Rs.) |
|---|---|---|---|---|
| 18 | 42 | 168 | 4,000 | 6.8 Lakh |
| 20 | 40 | 198 | 4,000 | 6.8 Lakh |
| 25 | 35 | 301 | 4,000 | 6.8 Lakh |
| 30 | 30 | 462 | 4,000 | 6.8 Lakh |
| 35 | 25 | 722 | 4,000 | 6.8 Lakh |
| 40 | 20 | 1164 | 4,000 | 6.8 Lakh |

**Table of contribution levels, fixed monthly pension of Rs. 5,000 per month to subscribers and his spouse and return of corpus to nominees of subscribers and the contribution period under Atal Pension Yojana**

| Age of Joining | Years of Contribution | Indicative Monthly Contribution (in Rs.) | Monthly Pension to the subscribers and his spouse (in Rs.) | Indicative Return of Corpus to the nominee of the subscribers (in Rs.) |
|---|---|---|---|---|
| 18 | 42 | 210 | 5,000 | 8.5 Lakh |
| 20 | 40 | 248 | 5,000 | 8.5 Lakh |
| 25 | 35 | 376 | 5,000 | 8.5 Lakh |
| 30 | 30 | 577 | 5,000 | 8.5 Lakh |
| 35 | 25 | 902 | 5,000 | 8.5 Lakh |

| | | | | |
|---|---|---|---|---|
| 40 | 20 | 1,454 | 5,000 | 8.5 Lakh |

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## Micro Units Development and Refinance Agency (MUDRA) Bank

According to the NSSO survey of 2013, there are 5.77 crore small business units, mostly individual proprietorships, which run small manufacturing, trading or services activities. Most of these 'own account enterprises' are owned by people belonging to Scheduled Caste, Scheduled Tribe or Other Backward Classes. Only 4% of such units get institutional finance. Providing access to institutional finance to such micro/small business units would turn them into strong instrument of GDP growth and also employment.

Micro Finance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counseling etc. The players in the Micro Finance sector can be qualified as falling into 3 main groups:- the SHG-Bank linkage model started by NABARD, the Non Banking Finance companies and the others including Trusts, Societies etc.

The government proposes to set up a Micro Units Development and Refinance Agency (MUDRA) Bank through a statutory enactment. This Bank would be responsible for regulating and refinancing all Micro-finance Institutions (MFI) which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities. The Bank would partner with state level/regional level co-ordinators to provide finance to Last Mile Financer of small/micro business enterprises.

The MUDRA Bank would primarily be responsible for –

1) Laying down policy guidelines for micro/small enterprise financing business

2) Registration of MFI entities
3) Regulation of MFI entities
4) Accreditation /rating of MFI entities
5) Laying down responsible financing practices to ward off indebtedness and ensure proper client protection principles and methods of recovery
6) Development of standardised set of covenants governing last mile lending to micro/small enterprises
7) Promoting right technology solutions for the last mile
8) Formulating and running a Credit Guarantee scheme for providing guarantees to the loans which are being extended to micro enterprises
9) Creating a good architecture of Last Mile Credit Delivery to micro businesses under the scheme of Pradhan Mantri Mudra Yojana

A sum of Rs 20,000 crores would be allocated to the MUDRA Bank from the money available from shortfalls of Priority Sector Lending for creating a Refinance Fund to provide refinance to the Last Mile Financers. Another Rs 3,000 crore would be provided to the MUDRA Bank from the budget to create a Credit Guarantee corpus for guaranteeing loans being provided to the micro enterprises.

The above measures would not only help in increasing access of finance to the unbanked but also bring down the cost of finance from the last Mile Financers to the micro/small enterprises, most of which are in the informal sector.

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**Steps being taken for Increasing Financing to Micro, Small and Medium Enterprises (MSMEs)**

**<u>Debt Financing</u>**:

1) Loans to Medium Enterprises are being brought under Priority Sector Lending.
2) A separate sub-limit of 7.5% in Priority Sector Lending is being created for the Micro Enterprises.
3) RBI has received 72 application for setting up Small Banks. As per license conditions, the small finance banks are required to extend 75% of Adjusted Net Bank Credit to Priority Sector and 50% of loan portfolio to be upto Rs. 25 lakhs. Therefore, once set up, the Small Finance Banks would augment supply of credit to small business units, micro and small industries etc. through high technology & low cost operations.

**<u>Equity Financing:</u>**

1) "Tax pass-through" status for equity funds has been rationalized for supporting the venture capital eco-system.
2) A Fund of Funds has been set up in SIDBI to act as a catalyst to attract Private Capital by way of providing equity, quasi equity and other risk capital for start up companies.

**<u>Receivable Financing</u>**:

1) A significant part of working capital requirement of an MSME arises due to long receivables realization cycles. To implement corrective and supportive policies for the sector, Trade Receivables Discounting System (TReDs), an electronic platform for facilitating financing of trade receivables from corporate and other buyers through multiple financiers, is being set up. This platform will deal with both receivables

factoring and reverse factoring so that higher transaction volumes come into the system and facilitate better pricing.

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## Changes proposed in Priority Sector Lending (PSL)-regarding

Since the vision of Priority Sector Lending (PSL) first took shape, the structure of the Indian economy, the contribution by various sectors to GDP and the demographic profile has changed significantly. These emerging realities have also shaped the perception of national priorities. Total credit extended by Banks in Priority sector Lending is Rs.2154356.29 Crore. There is a need to increase employment, create basic infrastructure and improve competitiveness of the economy, thus creating more jobs. It is, therefore, time to re-orient the Priority Sector Lending Guidelines towards today's growth and inclusion agenda.

The following changes are being proposed in the Priority Sector lending:-

- To enhance credit to Small and marginal farmers, a separate sub limit of upto 8% (for 1st year - 7% and 2nd year - 8%) is being introduced for the first time.
- Loans for agri-processing & agri-infrastructure would be included in PSL without any limit on the size of loans.
- Loans to Medium Enterprises being included in PSL.
- For the first time a separate sub limit of 7.5% of ANBC is being created for the Micro Enterprises.
- Loans upto Rs.5 crore for Social infrastructure, like schools and health care facilities, drinking water facilities, sanitation facilities etc. are being included under PSL, for towns of less than 1 lac population.
- Renewable Energy sector is being added to the PSL, upto Rs.10 crore loans.
- Introduction of Priority Sector Lending Certificate (PSLCs), which will provide a market-driven incentive for efficiency, will enable banks to sell their surplus lending and thus earning a premium for their efficiency/geographical spread.
- Progress to be monitored quarterly and not at the end of the year.

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## Banking Reforms

Performance of Public Sector Banks has remained sub-optimal so far. The Government is taking various steps to improve the situation both on governance side and otherwise. The focus of these reforms is to improve the quality of deliberations in bank boards, leading to better asset quality and further resulting in better market valuations.

### What has been done

(i) Separation of the post of Chairman and Managing Director.

(ii) Enabling provision for the appointment as MD & CEO in five major banks, so that wider choice is available. Both Public Sector and Private Sector bankers can apply. Higher salary can be given in appropriate cases.

(iii) Revamping of present selection system which inter-alia includes structured three separate interviews, allotment of banks on merit-cum-preference basis.

(iv) Blue print for road map for reforms on the basis of deliberations carried out in GyanSangam, a two days top level retreat organised by the department.

(v) Allocation of capital purely on the basis of efficiency parameters so that banks start focusing on these.

(vi) Clear instructions from the department regarding no interference whatsoever in any matter whether related to HR issues or credit decisions or even otherwise.

### What Next

(i) In order to improve the Governance of Public Sector Banks, the Government intends to set up an autonomous Bank Board Bureau with professionals as its members. It would be responsible for search and selection of heads of PSBs, as also for Non-Official Directors on the Boards of Banks. This would be an interim step towards moving in the direction of having a Bank Investment Company.

(ii) Guidelines relating to appointment of non-official directors is being revisited to ensure that bank boards get people with relevant expertise. Anybody eligible would be able to apply through a website which will soon be available in the public domain.

(iii) Government's role in relation to public sector banks is that of promoter. As a promoter, the banks have been entering into anMoU for achieving certain objectives known as Statement of Intent. The whole system of Statement of Intent is being revised with provision for higher cash incentives.

(iv) Government wants to encourage Bank Boards to restructure their business strategy and also suggest way forward for their consolidation and merger with other banks if it is win-win for both.

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**International Financial Services Centre (IFSC)**

An International Financial Services Centre (IFSC) is set up at Gandhinagar, Gujarat as a part of a Special Economic Zone (SEZ). To operationalise the IFSC, a **Notification under the Foreign Exchange Management Act, 1999** (FEMA) shall be issued by Reserve Bank of India (RBI) in March 2015, making regulations relating to financial institutions set up in the IFSC. The key features of these regulations will be that any financial institution (or its branch) set up in the IFSC,-

a) shall be treated as a non-resident Indian located outside India,
b) shall conduct business in such foreign currency and with such entities, whether resident or non-resident, as the Regulatory Authority may determine, and
c) subject to certain provisions, nothing contained in any other regulations shall apply to a unit located in IFSC.

2. Pursuant to the Regulations issued under FEMA, the respective regulators would frame regulatory framework for provisions of financial services. IRDA of India would be permitting insurers including foreign insurer or reinsurers to set up branch in IFSC. Similarly RBI would permit the setting up of IFSC Banking Units (IBUs) by banks. Government would be permitting IRDA of India to allow such life and non-life insurance services, health insurance services and reinsurance services, as may be specified. The Securities and Exchange Board of India (SEBI) would allow setting up of exchanges and allow other activities for fund raising, merchant banking, brokerage, fund management, private equity, etc. Activities like currency derivatives, NIFTY futures, Depository Receipts, etc. would take place on the exchanges like any other IFSC.

3. RBI has also formulated a **Draft Scheme for the setting up of IFSC Banking Units (IBUs)** by banks, whose broad contours may be summarised as follows:

i. **Setting up of IBUs:** Eligible banks intending to set up IBUs (which would be regulated and supervised by RBI) would be required to apply to the

Department of Banking Regulation (DBR) of RBI under Section 23 of the Banking Regulation Act, 1949. To begin with, only Indian banks (public and private, authorised to deal in forex) and foreign banks having a presence in India would be eligible to set up IBUs. Banks already having offshore presence would be preferred and each bank would be permitted to set up only one IBU in one IFSC.

ii. **IBUs vis-à-vis foreign branches of banks**: For most purposes, the IBU will be treated on par with a foreign branch of an Indian bank, like the application of prudential norms, the 90 days' Income Recognition Asset Classification and Provisioning norms, adoption of liquidity and interest rate risk management policies.

iii. **Role of the Parent Bank's Board:** The bank's Board would set comprehensive overnight limits for each currency for IBUs, may set out appropriate credit risk management policy and exposure limits, and monitor overall risk management and ALM framework of the IBU.

iv. **Capital Requirements:** The parent bank would be required to provide a minimum of USD 20 million upfront as capital, and the IBU shall have to maintain minimum capital on an on-going basis as may be prescribed.

v. **Liabilities and Advances:** The IBU's liabilities will be exempt both CRR and SLR. But liabilities only with original maturity period greater than one year are permissible, although short-term liabilities may be raised from banks subject to RBI prescribed limits. Deposits will not be covered by deposit insurance and RBI shall not provide liquidity or Lender of Last Resort support. Funds may be raised only from entities not resident in India, though the deployment may also be with entities resident in India, subject to FEMA, 1999. Advances by IBUs shall not be a part of the Net Bank Credit of parent banks.

vi. **Permissibility of activities:** Opening of current or savings accounts and issuance of bearer instruments is not allowed. Payment transactions can only be undertaken via bank transfers. IBUs can undertake transactions with non-resident entities other than retail customers/HNIs, and can deal with WOS/JVs of Indian companies abroad. They may undertake Factoring/Forfaiting of export receivables, but are prohibited from cash transactions.

vii. **Ring Fencing:** All transactions of IBUs shall be in currency other than INR, and IBUs would operate and maintain balance sheet only in foreign currency, except a Special Rupee Account to defray administrative and statutory expenses. Separate Nostro accounts will have to be maintained by IBUs with correspondent banks. IBUs will not be permitted to participate in domestic call, notice, term, forex, money and other onshore markets and domestic payment systems.

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## New Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds with effect from 1st April, 2015

Government notifies the Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds. This is reviewed from time to time and revisions are effected based on the developments in the financial market and economy. The investment pattern was last revised on 14th August, 2008 and was to be made effective from 1st April, 2009. Subsequently, there was a budget announcement in the Budget Speech of 2013-14 that the list of eligible securities in which pension funds and provident funds may invest will be enlarged to include exchange traded funds, debt mutual funds and asset backed securities. Subsequently, a Committee on investment pattern for pension and insurance sector was constituted by the Department of Financial Services, Ministry of Finance (DFS) under the Chairmanship of Shri G. N. Bajpai, Ex-Chairman of LIC and SEBI, which submitted its report in December, 2013. The Committee inter alia, made certain recommendations regarding revising the Investment Pattern to provide greater flexibility to subscribers to maximise returns as also to provide long term resources to productive sectors in the economy. Accordingly, the proposed revised pattern was put up on the website of the DFS in draft form in June, 2014 inviting comments. A large number of comments were received and these have been examined by the Government.

2. Based on this feedback, the revised investment pattern has been finalised and is being notified shortly. It explicitly recognises the fiduciary responsibility of the Trustees and the need for the exercise of due diligence by them and provides sound and objective criteria to them to select any financial instrument. Further, it also gives them greater flexibility in terms of a wider variety of financial instruments as well as greater freedom to manage the portfolio, in terms of newer instruments and greater flexibility in investment limits. The changes suggested in the new investment pattern, with effect from 1st April, 2015, inter alia, include:

(i) providing minimum and maximum limits for Central Government Securities, State Government Securities, Government Guaranteed Securities (with a separate maximum limit of not in excess of 10%) and units of gilt Mutual Funds, forming part of a single category and allowing investment up to 50% of the investible funds, instead of 55% under the earlier Investment Pattern of 2008;

(ii) providing a minimum investment ceiling for the categories of (a) Government Securities, (b) debt securities and (c) the equity and equity related instruments;

(iii) providing new category of instruments, such as, Index Funds, Exchange Traded Funds, debt mutual funds and asset backed securities and instruments, such as, the infrastructure debt funds, real estate investment trusts, Infrastructure Investment Trusts, Basel III compliant tier-I bonds of banks and exchange traded derivatives with the sole purpose of hedging;

(iv) permitting investment in term deposit receipts of even less than one year duration issued by scheduled commercial banks subject to the specified financial criteria; and

(v) prescribing investment of minimum 5% and up to 15% of the investible funds in equity and equity related instruments.

(vii) strengthening credit rating requirements for some financial instruments from "investment grade" to "AA" category, keeping the protection of interests of subscribers, in view.

(3) Further, it has been provided that,-

(i). The prudent investment of the Funds of a trust / fund within the prescribed pattern is the fiduciary responsibility of the Trustees and needs to be exercised with appropriate due diligence. The Trustees would accordingly be responsible for investment decisions taken to invest the funds.

(ii). The trustees will take suitable steps to control and optimize the cost of management of the fund.

(iii). The trust will ensure that the process of investment is accountable and transparent.

(iv). 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 by the fund / trust.

(v). The trust / fund should adopt and implement prudent guidelines to prevent concentration of investment in any one company, corporate group or sector.

4. The new investment pattern would come into force from 1st April, 2015, that is, from the financial year 2015-16. A comparison of Investment Pattern of 2008 and that of 2015 is as below:

| **Instrument** | **Investment Pattern of 2008** | **Investment Pattern to be notified with effect from April 1, 2015** |
|---|---|---|
| Government Securities | upto 55% | Minimum 45% and upto 50% |
| Debt Securities and term deposits of banks | upto 40% | Minimum 35% and upto 45% |
| Money Market Instruments | upto 5% | upto 5% |
| Equity and equity related instruments | upto 15% | A Minimum of 5% and upto 15% |
| Exchange Traded Funds/ Index Funds | No such Category | Exchange Traded Funds, Index Funds and derivatives are part of the a minimum 5% and Upto 15% limit for equity and equity related instruments |
| Asset Backed Securities, Units of Real Estate / Infrastructure Investment Trusts | 0% | Upto 5% limit |