



# **Investment Policy**

**Of**

**UTI Pension Fund Limited**

**(Formerly known as UTI Retirement Solutions Limited)**

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

**Incorporated under the Companies Act, 1956]**

**Edition – XLII**

**(Updated, reviewed and approved by the Board of Directors on 18<sup>th</sup> July,  
2025)**

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**Preamble**

UTI Pension Fund Limited (formerly known as UTI Retirement Solutions Ltd). (UTIPFL), a 100% subsidiary of UTI Asset Management Company Ltd. was incorporated on 14<sup>th</sup> December, 2007.

UTI PFL 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 Pension Fund Limited (formerly known as UTI Retirement Solutions Ltd). (UTIPFL) would be governed by PFRDA Guidelines and Regulations. In addition to the Regulatory/Statutory Guidelines, UTIPFL 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 reviewed and updated in the Board Meeting held on 18<sup>th</sup> July 2025.

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

**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 UTIPFL.
- 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 UTIPFL 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 prepare & present investment performance & compliance related reports to the management, Board of UTIPFL. and Pension Fund Regulatory Development Authority (PFRDA).
- vi) CIO should adhere / reply to all reports from Internal / Statutory Audits, & Compliance Cell on all investment related issues.
- vii) CIO handles such other activities that are required to be attended to assigned from time to time with regard to Funds Management.

**1.2 Responsibilities of Fund Manager (FM)/Assistant Fund Manager (AFM):**

- i) FM/AFM works under the guidance and in consultation with CIO for all investment related aspects.
- ii) FM/AFM is responsible for the performance of the funds managed and ensures that all funds are managed as per the mandate given, applicable regulatory provisions and internal norms approved by the Board from time to time.
- iii) FM/AFM is responsible for the overall exposure of all schemes of UTIPFL. Key functions include – Portfolio construction, portfolio monitoring on daily basis,

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deployment/redemption based on flows in schemes, strategy to be adopted under different market conditions, etc.

- iv) Research is a very important part of investment decision making. FM/AFM responsibilities include undertaking detailed research on existing stocks in the portfolio, new idea generation, attending various earnings calls, management meetings, broker conferences, plant visits, etc. for informed decision making.
- v) FM/AFM reviews data on regular basis for Fund performance vs Peers, Benchmarks for comparison and decision making purposes.
- vi) FM/AFM reviews various Portfolio Analytics at regular intervals which may assist the CIO to take informed decision and construct portfolio based on specific strategy, theme, etc.
- vii) FM/AFM also takes care to see that the Portfolio adheres to various compliances – internal as well external in managing the portfolio. Compliance and Risk Management team are active partners in discharge of these duties.
- viii) FM/AFM should adhere/reply to all reports from Internal / Statutory Audits, & Compliance Cell on all investment related issues.

### **1.3 Responsibilities of Dealer**

- i) Dealer handles activities relating to the market operations through approved empaneled brokers of UTIPFL and tries to obtain the best possible prices for the purchase/sale of securities. The list of empaneled brokers is approved by the Board of UTI-PFL and is reviewed on yearly basis.
- ii) Dealer ensures adherence to statutory guidelines and internal guidelines on distribution of business to various approved empaneled brokers.
- iii) Dealer ensures adherence to the regulatory/Internal guidelines on exposure by the UTIPFL as a whole.
- iv) Dealer provides feedback to FM/CIO on market information during and beyond dealing hours.
- v) Dealer receives bids/offers from brokers during dealing hours and accordingly informs the fund managers.
- vi) Dealer handles such other activities that are required to be attended / assigned from time to time by senior management with regard to dealing.

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- vii) Dealer shall conclude all the deals only from the dealing room (on recorded lines).
- viii) Dealer maintains all records, approvals, note and backup files in respect of all dealing in primary and secondary market investments/divestments made by all the funds of UTIPFL.

#### **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 PFL at a consolidated level would be monitored *vis-à-vis* internal guidelines as well as regulatory guidelines on prudential norms.
- 2.2 The Fund Manager shall submit a comprehensive report on Fund activities and performance to the Chairman of the Board quarterly.
- 2.3 In absence of CIO, CEO will take decision in consultation with Fund Manager / Dealer (Debt) in case of Debt / G-Sec securities and in consultation with Fund Manager / Assistant Fund Manager / Dealer (Equity) in case of Equity.
- 2.5 The Board of UTI-PFL, in its meeting held on 11<sup>th</sup> 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.

*\*The investment audit shall be carried out independently by the internal auditor in accordance with the scope specified by the PFRDA from time to time.*

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

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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 proposal which do not fall under the delegation power of EIC.
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 27<sup>th</sup> 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 5<sup>th</sup> September, 2011 comprising of the following:

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

The Investment Management Committee was reconstituted in the Board Meeting held on 15<sup>th</sup> 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 12<sup>th</sup> 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 Investment Management Committee was reconstituted in the Board Meeting held on 12<sup>th</sup> January, 2016 comprising of the following:

- a) Mr. S. Venkatraman, Director



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- 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 by the Board on 18<sup>th</sup> October, 2019 comprising of the following:

- a) Mr. P.H. Ravikumar, 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 by the Board on 21st July, 2020 comprising of the following:

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

The Investment Management Committee was reconstituted by the Board on 27<sup>th</sup> October, 2020 comprising of the following:

- a) Mr. P.H. Ravikumar, Director
- b) Mr. Puneet Gupta, Director
- c) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director as Member
- d) Ms. Silpita Guha, Chief Investment Officer as Member
- e) Mr. Omkar Patwardhan, Chief Risk Officer.

The Investment Management Committee was reconstituted by the Board on 16<sup>th</sup> July, 2021 comprising of the following:

- a) Mr. Puneet Gupta, Independent Director and Chairman
- b) Mrs. Sangeeta Sharma, Independent Director
- c) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director
- d) Mr. Sanjay Dongre, Chief Investment Officer
- e) Mr. Omkar Patwardhan, Chief Risk Officer.

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The Investment Management Committee was reconstituted by the Board vide circular resolution dated 15th January, 2024, comprising of the following:

- a) Mr. Puneet Gupta, Independent Director and Chairman of the Committee
- b) Mrs. Sangeeta Sharma, Independent Director
- c) Mr. S M Farooque Shahab, Independent Director
- d) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director
- e) Mr. Sanjay Dongre, Chief Investment Officer
- f) Mr. Omkar Patwardhan, Chief Risk Officer.

The Constitution of the Investment Management Committee was updated on 28<sup>th</sup> April, 2025, comprising of the following:

- a) Mr. Puneet Gupta, Independent Director and Chairman of the Committee
- b) Mrs. Sangeeta Sharma, Independent Director
- c) Mr. S M Farooque Shahab, Independent Director
- d) Mr. Balram P. Bhagat, Chief Executive Officer & Whole Time Director
- e) Mr. Sanjay Dongre, Chief Investment Officer
- f) Mr. Nikhil Kudalkar, Chief Risk Officer.

The Constitution of the Investment Management Committee was updated on 01st July, 2025, comprising of the following:

- a) Mr. Puneet Gupta, Independent Director and Chairman of the Committee
- b) Mrs. Sangeeta Sharma, Independent Director
- c) Mr. S M Farooque Shahab, Independent Director
- d) Mr. Umesh Kumar Gupta , Chief Executive Officer & Whole Time Director
- e) Mr. Sanjay Dongre, Chief Investment Officer
- f) Mr. Nikhil Kudalkar, Chief Risk Officer.

The roles and other functions of the Committee remain same.

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**3 INVESTMENT NORMS AND PRUDENTIAL GUIDELINES**

**A. Investment guidelines for govt. Sector pension asset (Applicable to UPS/NPS/APY Scheme – Central/State Government (default), Corporate CG, NPS Lite and Atal Pension Yojana)**

Circular No.: PFRDA/Master Circular/2025/02/PF-01 dated 28<sup>th</sup> March 2025

1. Master circular will be effective from 01.04.2025

| Category | Investment pattern as per PFRDA guidelines  | Percentage amount to be invested | Additional internal guidelines  |
|----------|---|----------------------------------|---|
| (i)      | <p><b>Government Securities and related Investments</b></p> <p>(a) Government Securities,</p> <p>(b) Other Securities {‘Securities’ as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956} the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government and also includes fresh issuance of “Govt. of India- Fully Serviced Bonds” issued by Public Sector Undertaking under Extra Budgetary Resources (EBR) after 3<sup>rd</sup> June 2020.</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 point of time.</p> <p>(c) Units of Mutual Funds set up as dedicated funds for investment in Govt. securities and regulated by the Securities and Exchange Board of India.</p> | <b>upto 65%</b>                  | <i>The exposure to a Single Mutual Fund Scheme shall not be more than 25% of that Mutual Fund Scheme’s AUM at the time of Investment.</i> |

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|   | 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.   |           |  |                          |                             |   |  |   |   |
|---|--|-----------|--|--------------------------|-----------------------------|---|--|---|---|
| (ii)  | <p><b>Debt Instruments and related Investments</b></p> <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).</p> <p>(b) Listed (or proposed to be listed in case of initial offering) Basel III Tier-1 bonds issued by scheduled commercial banks under RBI Guidelines</p> <p>Provided that the portfolio invested in this sub-category shall not exceed 2% of the concerned Scheme AUM at any point of time.</p> <p>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 across all schemes managed by the Pension Fund shall not exceed 20% of such Tier I Bonds issued by that Bank.</p> <p>(c) Rupee Bonds issued by institutions of the International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank.</p> <p>(d) Term Deposit receipts of more than one year duration issued by scheduled commercial banks, which meets the regulatory requirement</p> | upto 45 % | <p>a) Exposure to one PFI or Public Sector Companies / Body Corporate/ Banks shall not exceed the under noted limits:</p> <table><tr><th>Rating of the Instrument</th><th>% of AUM in Corporate bonds</th></tr><tr><td>AAA / Corresponding Highest short term rating</td><td>10%<br/>(non- sponsor group companies)<br/><br/>5%<br/>(sponsor group companies)</td></tr><tr><td>AA+, AA, /corresponding short term rating</td><td>1%<br/>(non-sponsor group companies &amp; sponsor group companies)</td></tr></table> <p>Investment in unsecured AAA &amp; AA+ rated corporate bonds to be restricted to PSUs, PSBs, PFIs, Pvt. Sector Banks (Top 5 Pvt. Sector Banks in terms of total asset size) and in AAA rated non PSU companies which satisfy qualifying criteria</p> | Rating of the Instrument | % of AUM in Corporate bonds | AAA / Corresponding Highest short term rating | 10%<br>(non- sponsor group companies)<br><br>5%<br>(sponsor group companies) | AA+, AA, /corresponding short term rating | 1%<br>(non-sponsor group companies & sponsor group companies) |
| Rating of the Instrument                      | % of AUM in Corporate bonds  |           |  |                          |                             |   |  |   |   |
| AAA / Corresponding Highest short term rating | 10%<br>(non- sponsor group companies)<br><br>5%<br>(sponsor group companies)   |           |  |                          |                             |   |  |   |   |
| AA+, AA, /corresponding short term rating     | 1%<br>(non-sponsor group companies & sponsor group companies)  |           |  |                          |                             |   |  |   |   |

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| <p>of Net-worth and Capital to Risk Weighted Asset Ratio (CRAR) as stipulated by Reserve Bank of India and additionally 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:</p> <p>(i) having declared profit in the immediately preceding three financial years;</p> <p>(ii) having net non-performing assets of not more than 4% of the net advances;</p> <p>Provided that such Term Deposits with any one scheduled commercial bank including its subsidiaries should not be more than 10% of the concerned Scheme AUM at any point of time.</p> <p>(e) Units of Debt Schemes of Mutual Funds as regulated by Securities and Exchange Board of India.</p> <p>Provided these schemes shall exclude schemes of mutual funds having investment in short term debt securities with Macaulay Duration of less than 1 year.</p> <p>Provided further that the portfolio invested in such mutual funds shall not be more than 5% of the total portfolio of the Debt investments in the concerned scheme of the Pension Funds at any point of time.</p> <p>(f) Debt securities issued by Real Estate Investment Trusts (REIT) regulated by the Securities and Exchange Board of India.</p> | <p><i>specified by the board.</i></p> <p><i>Further, investments in unsecured corporate bonds issued by the Private Sector Banks (Rating AAA and AA+) {only in Infra/other bonds which would be ranking higher than Tier I and Tier II in the waterfall structure} shall be made only with approval of EIC.</i></p> <p><i>Investment in unsecured bonds of non PSU companies:</i></p> <ul style="list-style-type: none"> <li>✓ <i>Investment in unsecured bonds private sector non-finance and private sector finance (excluding banks) companies would be restricted to “AAA” rated securities only, which satisfy the qualifying criteria as approved by the Board, and such investment will be made only with approval of EIC.</i></li> <li>✓ <i>Such bonds should be listed or proposed to be listed on the recognized stock exchanges.</i></li> <li>✓ <i>No exposure will be taken in</i></li> </ul> |
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| <p>(g) Debt securities issued by Infrastructure Investment Trusts (InVIT) regulated by the Securities and Exchange Board of India.</p> <p>(h) The following infrastructure related debt instruments:</p> <p>(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 affordable housing.</p> <p>Further, this category shall also include securities issued by Indian Railways or any of the body corporates in which it has majority shareholding.</p> <p>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.</p> <p>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 undertaken, fails to enable its inclusion as security covered under category (i) (b) above, shall be treated as an eligible security under this sub-category.</p> <p>(ii) Infrastructure and affordable housing Bonds issued by any</p> | <p><i>real estate sector.</i></p> <ul style="list-style-type: none"> <li>✓ <i>Single issuer limit to be restricted to 1% of total corporate bond exposure at PFM level.</i></li> <li>✓ <i>Total investment in unsecured bonds of private sector non-finance and private sector finance (excluding banks) companies would be restricted to maximum of 10% of total corporate bond exposure at PFM level.</i></li> </ul> <p><b><i>Investment in Subordinate Bonds / Tier II Bonds:</i></b></p> <p><b><i>Credit Rating:</i></b></p> <ol style="list-style-type: none"> <li><i>1) AAA rating by atleast two rating agencies for Private banks and Private insurance companies.</i></li> <li><i>2) AAA or AA+ rating by atleast two rating agencies for PSU banks.</i></li> </ol> <p><b><i>Investment Universe:</i></b></p> <ol style="list-style-type: none"> <li><i>1) Top 7 PSU banks by asset size</i></li> <li><i>2) Top 4 Private Banks by Asset size</i></li> <li><i>3) LIC and Top 3 private Insurance companies by networth.</i></li> </ol> |
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| <p>scheduled commercial bank, which meets the conditions specified in (ii)(d) above.</p> <p>(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.</p> <p>(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.</p> <p>It is clarified that, barring exceptions mentioned above, for the purpose of this sub-category (h), a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure sub-sectors:</p> <p>(i) Listed or proposed to be listed Credit rated Municipal bonds.</p> <p>(j) Investment in units of Debt ETFs issued by Government of India specifically meant to invest in bonds issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other Government organizations, etc.</p> <p>Provided that the portfolio invested in such Debt ETFs shall not exceed 5% of total debt instruments portfolio in the concerned scheme at any point of time.</p> <p>Provided that the investment under sub-categories (a), (b) and (h) (i) to (iv) of this category (ii) shall be made only in such securities with</p> | <p><i>Limit on total exposure in composite schemes: Up to 5% of corporate bond exposure in the scheme</i></p> <p><i>Limit on single issuer exposure in composite schemes: Up to 1% of corporate bond exposure in the scheme.</i></p> <p><i>Investment in subordinate/ Tier II Bonds shall be made only with approval of Executive Investment Committee (EIC).</i></p> <p><i>The exposure to debt securities (listed/proposed to be listed) to any <b>non- PSU/non-PFI</b> company/SPV whose <b>Equity shares are not listed on NSE/BSE</b> shall not exceed 1% of total AUM of the Pension Fund.</i></p> <p>The debt exposure to one Private sector company shall not exceed 5% of total AUM of Pension Fund</p> |
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| <p>atleast AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with Securities and Exchange Board of India.</p> <p>Provided further that in case of the sub-category (h)(iii) the ratings shall relate to the Non-Banking Financial Company and for the sub-category (h)(iv) the ratings shall relate to the investment in eligible securities of the Infrastructure Debt Fund.</p> <p>Provided further that under sub-category (h), Pension Fund can make investment in infrastructure companies rated not less than 'A' along with an Expected Loss Rating of 'EL1'.</p> <p>Further though investments under this category (ii) require atleast AA rating as specified above, Pension Fund can invest in securities having investment grade below 'AA' provided that, investments in securities rated from 'AA-' to 'A' shall not exceed 10% of the total debt instruments portfolio in the concerned scheme while making such investment. Any investments in securities rated below 'AA' in excess of 10% of the total debt instruments portfolio in the concerned scheme, the risk of default for such securities shall be fully covered with Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased along with the underlying securities. Purchase amount of such Swaps shall be considered to be investment made under this category.</p> <p>Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of all the rating shall be considered.</p> | <p>and should not be rated below AA or equivalent.</p> <p>(b) Term Deposit Receipt:</p> <p>1) The exposure in one Public or Private Sector Bank shall not exceed <b>10%</b> of total Debt AUM.</p> <p>2) Investment in Term Deposit receipts would be restricted to PSU Banks and top 5 private sector banks in terms of total asset size, provided all the conditions mentioned in the PFRDA guidelines are fulfilled.</p> |
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|  | <p>For sub-category (c), a single rating of AA or above by a domestic or international rating agency will be acceptable.</p> <p>For sub-category (a) and (c), the investments made in debt securities and Rupee Bonds with residual maturity period of less than three years on the date of investment shall be limited to 10% of the investments made in debt instruments portfolio during the preceding 12 months in the concerned Scheme.</p> <p>In case of securities where the principal is to be repaid in a single payout, the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout, then the maturity of the securities shall be calculated on the basis of weighted average maturity of the security.</p> <p>For sub-category (f) and (g), the Trust should be rated as ‘AAA’ or equivalent in the applicable rating scale by at least two credit rating agencies registered with SEBI. The rating of Sponsor floating the Trust should be ‘AA’ or equivalent in the applicable rating scale from at least two credit rating agencies registered with SEBI.</p> <p>For sub-category (i), the Municipal Bonds should be rated ‘AAA’ of equivalent in the applicable rating scale by at least two credit rating agencies registered with SEBI.</p> <p>It is clarified that debt securities covered under category (i)(b) above are excluded from this category (ii).</p> |  |  |
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| (iii) | <p><b>Short term debt instruments and Related Investments</b></p> <p>(a) Money market instruments comprising of Treasury Bills, Commercial Paper and Certificates of Deposit.</p> <p>Provided that investment in Commercial Paper issued by body corporates 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> <p>(b) 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> <p>(c) Investments in units of a Debt scheme of a Mutual Fund as regulated by Securities and Exchange Board of India where investment is in short term securities with Macaulay duration of less than 1 year viz. Overnight fund, Liquid Fund, Ultra Short Duration Fund and Low duration fund with the condition that the average total asset under management of AMC for the most recent six-month period</p> | <b>Upto 10%</b> | <p><i>The exposure to a Single Mutual Fund Scheme shall not be more than 25% of <b>that Mutual Fund Scheme's AUM</b> at the time of Investment.</i></p> <p>Investment is Money Market instruments should be in companies / Banks / Body Corporate etc. with a minimum rating of A1+ (or equivalent).</p> |
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|             | <p>should be at least Rs.5,000/- crores.</p> <p>(d) Investment in Government Securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) System (TREPS) provided by RBI through Clearing Corporation of India Limited (CCIL).</p>   |                 |  |
| <b>(iv)</b> | <p><b>Equities and related Investments</b></p> <p>(a) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks in terms of full market capitalization as on date of investment.</p> <p>Provided that a pension fund can hold stocks beyond the top 200 stocks, upto 2% of the equity AUM in respective schemes, if such stock is a constituent of the top 250 stocks prepared by NPS Trust.</p> <p>(b) Units of Equity Schemes 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>Provided that investment in such mutual funds shall not be in excess of 5% of the total equity portfolio in the concerned scheme at any point in time and the fresh investment in such mutual funds shall not be in excess of 5% of the fresh inflows invested in the year.</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 Sensex Index or NSE Nifty 50 Index.</p> <p>(d) Exchange Traded Funds regulated by Securities Exchange Board India that are constructed specifically for disinvestment of</p> | <b>Upto 25%</b> | <p>a. Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks in terms of full market capitalization as on date of investment as approved and published by NPS Trust on half yearly basis.</p> <p>Provided that a pension fund can hold stocks beyond the top 200 stocks, upto 2% of the equity AUM in respective schemes, if such stock is a constituent of the top 250 stocks prepared by NPS Trust.</p> <p>b. Exposure in one sector shall not exceed the “Sector weight in BSE 200 + 10%”.</p> |

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|     | <p>shareholding of the Government of India in body corporates.</p> <p>(e) Exchange traded derivatives regulated by the 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.<br/>Provided that the portfolio invested in derivatives in terms of contract value shall not be in excess of 5% of the total equity portfolio in the concerned scheme at any point of time.</p> <p>(f) Initial Public Offering (IPO), Follow on Public Offer (FPO) and Offer for Sale (OFS) of companies, approved by Securities and Exchange Board of India.</p> |                |  |
| (v) | <p><b>Asset Backed, Trust Structured and Miscellaneous Investments:</b></p> <p>(a) Commercial mortgage based Securities or Residential mortgage based securities.</p> <p>(b) Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.</p> <p>(c) Asset Backed Securities regulated by the Securities and Exchange Board of India.</p> <p>(d) Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.</p> <p>Provided that investment under this category (v) shall only be in listed instruments or fresh issues that are proposed to be listed.</p>              | <b>Upto 5%</b> |  |

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|  | <p>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 by the Securities and Exchange Board of India.</p> <p>Provided further that in case of the sub-categories (b) and (d), the Trust should have minimum rating of 'AAA' or equivalent rating in the applicable rating scale of the Trust from at least two credit rating agencies registered by Securities and Exchange Board of India and the Sponsor entity floating the Trust should have minimum rating of 'AA' or equivalent in the applicable rating scale of the Trust from at least two credit rating agencies registered with Securities and Exchange Board of India.</p> <p>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.</p> |  |  |
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2. Inflows to the aforesaid Schemes will be invested in the permissible categories stated above in a manner consistent with the 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.
3. Inflows to the schemes shall be the sum of un – invested funds from the past and receipts like contributions to the schemes, dividend/interest/commission, maturity amounts/sale proceeds of earlier investments etc., as reduced by redemptions and applicable charges.
4. 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.
5. 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. 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 inflows/funds within the prescribed pattern is the fiduciary responsibility of the Pension Funds. NPS Trust shall monitor the investment decisions of the Pension Funds with utmost due diligence.
7. The Pension Funds and Trust will take suitable steps to control and optimize the cost of management of the schemes.
8. The NPS Trust and Pension Funds will ensure that the process of the investment is accountable and transparent. It should be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the Pension Fund in that particular asset and also during the period over which it is held in the scheme. The requirement of ratings as mandated in this circular merely intends to limit the risk associated with investments at a broad and general level. Accordingly, it

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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 Pension Fund.

9. For equity investments through stock brokers, the amount of brokerage that can be debited to the schemes shall not exceed 0.03% of the equity transaction amount inclusive of stamp duty and applicable taxes.
10. Investments in Initial Public Offer (IPO), Follow on Public Offer(FPO) and Offer for Sale (OFS) are permitted subject to fulfilment of conditions
  - a. Equity offering through IPO are proposed to be "listed" in BSE or NSE and full float market capitalization calculated at lower band of IPO issue price should be greater than the market capitalization of the 200th company as per the list of Top 200 stocks provided by NPS Trust (last published).
  - b. Shares offered under Follow on Public Offer (FPO)/Offer for Sale (OFS) should be listed on BSE or NSE and constituent in the list of Top 200 stocks provided by NPS Trust (last published).
  - c. Board approved Investment Policy of Pension Funds should contain detailed guidelines/procedure for investments in IPO. Investments in Equity Shares through IPOiFPO or OFS shall be reported to NPS Trust within 30 days from the date of investment.
  - d. In case a Pension Fund have invested through IPO and the prescribed market capitalization condition does not get fulfilled post listing of the IPO or it fails to be in the latest published list of Top 200 stock provided by NPS Trust, a time period of maximum one year from the date of listing shall be provided to the Pension Fund for making a decision on selling such shares.
11. The following restrictions/filters are being enforced to reduce concentration risks in the scheme investments:
  - a) NPS **Equity** investments shall be restricted to 5% of the 'paid up equity capital'\* of all the sponsor\*\* group\*\*\* companies or 5% of the total AUM under Equity portfolio, 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 portfolio, 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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\*\*\*‘Sponsor’ shall mean an entity described as “Sponsor” under Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015 and subsequent amendments thereto.

\*\*\*‘Group’ means two or more individuals, association of individuals, firms, trusts, trustees or bodies corporate, or any combination thereof, which exercises, or is established to be in a position to exercise, significant influence and / or control, directly or indirectly, over any associate as defined in Accounting Standard (AS), body corporate, firm or trust, or use of common brand names, Associated persons, as may be stipulated by the Authority.

Explanation: Use of common brand names in conjunction with other parameters of significant influence and / or control whether direct or indirect shall be reckoned for determination for inclusion as forming part of the group or otherwise.

All Pension Funds shall publish on their respective website a list of their group companies and those of their sponsor.

b) NPS **Debt** investments have been restricted to 5% of the ‘net-worth’# of all the sponsor group companies or 5% of the total AUM in debt instruments portfolio (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 instruments portfolio (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% of AUM under all 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) For investments made in Index Funds/ETF/Debt MF, the exposure limits under such Index funds/ETF/Debt MF shall not be considered for compliance of the prescribed the Industry Concentration, Sponsor/ Non Sponsor group norms under these guidelines.

e) Investment exposure norms for investment in InvITs/REITs are as under:



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- i) Cumulative Investments in Units and Debt Instruments of InvITs and REITs shall not exceed 3% of total AUM of the Pension Fund at any point of time.
  - ii) The Pension Fund shall not invest more than 15% of the *total* outstanding Debt instruments issued by single InvIT/REIT issuer.
  - iii) The Pension Fund shall not invest more than 5% of the Units issued by a single InvIT/REIT issue.
12. The value of funds invested by Pension Fund in any mutual funds mentioned in any of the categories or ETFs or Index Funds shall be reduced from the respective scheme AUM before computation of investment management fees payable to them, to avoid double incidence if costs. However, investments made by Pension Funds in of India in body corporates, Bharat Bond ETF/Debt ETF issued by Government in respect of bonds issued by CPSEs, CPSUs, CPFIs and other Government organizations and all short duration mutual funds (liquid mutual fund, overnight fund ultra-short duration fund etc.) as permitted by SEBI, would be eligible for payment of investment management fee.
13. Pension Funds making investments in the shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks, would be required to adopt the list of stocks prepared by NPS Trust in this regard and NPS Trust would adhere to the following points while preparing the list:
- i. If a stock is listed on more than one recognized stock exchange, an average of full market capitalization of the stock on all such stock exchanges, will be computed;
  - ii. In case a stock is listed on only one of the recognized stock exchanges, the full market capitalization of that stock on such an exchange will be considered.
  - iii. The list of stocks under (i) and (ii) above, would be circulated by NPS Trust and the same would be updated every six months based on the data as on the end of June and December of each year. The data shall be circulated by NPS Trust within 5 calendar days from the end of the 6 months period.
  - iv. While preparing the single consolidated list of stocks, average full market capitalization of the previous six month of the stocks shall be considered.
  - v. Subsequent to any updation in the list, Pension Funds would have to rebalance their portfolios (if required) in line with updated list, within a period of six months. The decision to hold such stocks in the portfolio shall have to approved by the

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Investment Committee of the Pension Fund and also to be informed to the Board of Pension Fund. NPS Trust shall monitor the compliance of the above provision and inform PFRDA at regular interval.

14. Transfer of securities within the same scheme or inter scheme are allowed only if such transfers are done at the prevailing market price for traded instruments or at the valuation price for non-traded instruments and the securities so transferred are in conformity with the investment objective of the scheme to which such transfer has been made. Such transfers may be allowed in following scenarios:

- i. To meet liquidity requirement in a scheme in case of unanticipated redemption pressure.
- ii. To adjust securities received through corporate action.

The inter scheme transfers are allowed only on exceptional basis. The Pension Fund shall inform NPS Trust and Authority upon exercise of this option.

15. Pension Fund are permitted to keep securities as margin with CCIL for margin requirements for investment in Government securities and Triparty Repo (Dealing) System (TREPS).
16. For National Pension Scheme Tier II – Tax Saver Scheme, 2020 (NPS-TTS) which is available for subscription only by Central Government employees, the following investments limits will apply;

| Asset Class                                  | Limits    |
|--|-----------|
| Equity (as per Asset Class E of NPS Tier-II) | 10% - 25% |
| Debt (as per Asset Class C & G NPS Tier-II)  | Upto 90%  |
| Cash/Money Market, Liquid Mutual Funds*      | Upto 20%  |

\*this limit shall be applicable only after the scheme corpus reaches Rs. 5 crore.

17. The prescribed limits in to different asset classes such as G-sec, Corporate Bonds Equity, Money Market Instruments, and ABS & Misc. Investments have increased from 140% to 150%, giving flexibility to the Pension Funds to choose among the instruments based on their independent risk – return analytic framework in the interest of the subscribers. It is, therefore, desirable that Pension Funds may choose to different asset-classes exposure gradually and in a phased manner based on their own risk assessment.

**B. Investment Guidelines for Private Sector NPS (applicable to NPS Tier-I & Tier-II {Other than UPS/Central/State Government (default), Corporate CG, NPS Lite, APY}).**

**Circular No.: PFRDA/Master Circular/2025/03/PF-02 dated 28<sup>th</sup> March 2025**

1. Master circular will be effective from 01.04.2025

| Investment pattern as per PFRDA guidelines   | Additional internal guidelines  |
|--|---|
| Scheme/Asset Class G (Tier-I & Tier-II)  |   |
| <p>(a) Government Securities,</p> <p>(b) Other Securities {'Securities' as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956} the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government and also includes "Govt. of India – Fully Serviced Bonds" issued by Public Sector Undertaking under Extra Budgetary Resources after 3<sup>rd</sup> Jun 2020.</p> <p>Provided that the portfolio invested under this sub-category of securities shall not exceed 10% of the AUM under Scheme/Asset Class G at any point of time.</p> <p>(c) Units of Mutual Funds set up as dedicated funds for investment in Govt. securities and regulated by the Securities and Exchange Board of India:</p> <p>Provided that the investments in such mutual funds shall not exceed 5% of the AUM under Scheme/Asset Class G at any point of time.</p> | <p><i>The exposure to a Single Mutual Fund Scheme shall not be more than 25% of <b>that Mutual Fund Scheme's AUM</b> at the time of Investment.</i></p> |

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**Scheme/Asset Class C (Tier-I & Tier-II)**

(a) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporates, including banks and public financial institutions (Public Financial Institutions as defined under Section 2 of the Companies Act, 2013).

(b) Rupee Bonds issued by the International Bank for Reconstruction and Development, International Finance Corporation and Asian Development Bank.

(c) Term Deposit receipts of more than one year duration issued by scheduled commercial banks, which meets the regulatory requirement of Net-worth and Capital to Risk Weighted Asset Ratio (CRAR) as stipulated by Reserve Bank of India and additionally 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) having net non-performing assets of not more than 4% of the net advances;

Provided that such Term Deposits with any one scheduled commercial bank including its subsidiaries should not be more than 10% of the AUM under Scheme/Asset Class C at any point of time.

(d) Units of Debt Schemes of Mutual Funds as regulated by Securities and Exchange Board of India:

Provided that these schemes shall exclude schemes of mutual funds having investment in short term debt securities with Macaulay Duration of less than 1 year.

Provided further that the portfolio invested in such mutual funds shall not exceed 5% of the AUM under Scheme/Asset Class C at any point of time.

*(a) Exposure to one PFI or Public Sector Companies / Body Corporate/ Banks shall not exceed the under noted limits:*

| <i>Rating of the Instrument</i>                      | <i>Limit</i>   |
|--|--|
| <i>AAA / Corresponding Highest short term rating</i> | <i>10% of Scheme AUM (non- sponsor group companies)</i><br><br><i>5% of Scheme AUM (sponsor group companies)</i> |
| <i>*AA+ /corresponding short term rating</i>         | <i>5% of scheme AUM</i><br><br><i>OR</i><br><i>5% of net worth of Issuer</i><br><br><i>Whichever is lower</i>    |
| <i>AA, /corresponding short term rating</i>          | <i>2% of scheme AUM</i>  |

*\*Total exposure of AA+ rated corporate Bonds shall not exceed 15% of Scheme AUM*

*Investment in unsecured AAA & AA+ rated corporate bonds to*

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| <p>(e) Debt securities issued by Real Estate Investment Trusts (REIT) regulated by the Securities and Exchange Board of India.</p> <p>(f) Debt securities issued by Infrastructure Investment Trusts (InVIT) regulated by the Securities and Exchange Board of India.</p> <p>(g) The following infrastructure related debt instruments:</p> <p>(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 affordable housing.</p> <p>Further, this category shall also include securities issued by Indian Railways or any of the body corporates in which it has majority shareholding.</p> <p>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.</p> <p>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 undertaken, fails to enable its inclusion as security covered under ‘Other Securities of Scheme/Asset Class G’, shall be treated as an eligible security under this sub-category.</p> | <p><i>be restricted to PSUs, PSBs, PFIs, Pvt. Sector Banks (Top 5 Pvt. Sector Banks in terms of total asset size) and in AAA rated non PSU companies which satisfy qualifying criteria specified by the board.</i></p> <p><i>Further, investments in unsecured corporate bonds issued by the Private Sector Banks (Rating AAA and AA+) {only in Infra/other bonds which would be ranking higher than Tier I and Tier II in the waterfall structure} shall be made only with approval of EIC.</i></p> <p><i>Investment in unsecured bonds of non PSU companies:</i></p> <p><i>✓ Investment in unsecured bonds private sector non-finance and private sector finance (excluding banks) companies would be restricted to “AAA” rated securities only, which satisfy the qualifying criteria as approved by the Board, and such investment will be made only with approval of</i></p> |
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| <p>(ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions specified in sub-category (c) above.</p> <p>(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.</p> <p>(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.</p> <p>It is clarified that, barring exceptions mentioned above, for the purpose of this sub-category (g), a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure subsectors.</p> <p>(h) Listed and proposed to be listed Credit Rated Municipal Bonds.</p> <p>(i) Investment in units of Debt ETFs issued by Government of India specifically meant to invest in bonds issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other Government organizations, etc.</p> <p>Provided that the portfolio invested in such Debt ETFs shall not exceed 5% of the AUM under Scheme/Asset Class C at any point of time.</p> <p>Provided that the investment under sub-categories (a), (g) (i) to (iii) and (h) of Scheme/Asset Class C shall be made in such securities with atleast AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with Securities and Exchange</p> | <p><i>EIC.</i></p> <ul style="list-style-type: none"> <li>✓ <i>Such bonds should be listed or proposed to be listed on the recognized stock exchanges.</i></li> <li>✓ <i>No exposure will be taken in real estate sector.</i></li> <li>✓ <i>Single issuer limit to be restricted to 1% of total corporate bond exposure at PFM level.</i></li> <li>✓ <i>Total investment in unsecured bonds of private sector non-finance and private sector finance (excluding banks) companies would be restricted to maximum of 10% of total corporate bond exposure at PFM level.</i></li> </ul> <p><b><i>Investment in Subordinate Bonds / Tier II Bonds:</i></b></p> <p><b><i>Credit Rating:</i></b></p> <ol style="list-style-type: none"> <li><i>1) AAA rating by atleast two rating agencies for Private banks and Private insurance companies.</i></li> <li><i>2) AAA or AA+ rating by atleast</i></li> </ol> |
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| Board of India.  | <i>two rating agencies for PSU banks.</i>  |
| Provided further that in case of the sub-category (g) (iii) the ratings shall relate to the Non-Banking Financial Company.   | <i>Investment Universe:</i><br>1) Top 7 PSU banks by asset size<br>2) Top 4 Private Banks by Asset size<br>3) LIC and Top 3 private Insurance companies by networth. |
| Provided further that under sub-category (g), Pension Fund can make investment in infrastructure companies rated not less than 'A' along with an Expected Loss Rating of 'EL1'.  |  |
| Further, though investments in Scheme/Asset Class C require atleast AA rating as specified above, Pension Fund can invest in securities having investment grade rating below 'AA', provided that, investments in securities rated from 'AA-' to 'A' shall not exceed 10% of the AUM under Scheme/Asset Class C while making such investment. Any investments in securities rated below 'AA' in excess of 10% of the AUM under Scheme/Asset Class C the risk of default for such securities shall be fully covered with Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased along with the underlying securities. Purchase amount of such Swaps shall be considered to be investment made under this category. | <i>Limit on total exposure in C Tier I &amp; C Tier II schemes: Up to 8% of corporate bond exposure in the scheme</i>  |
| Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of all ratings shall be considered.  | <i>Limit on single issuer exposure in C Tier I &amp; C Tier II schemes: Up to 2% of corporate bond exposure in the scheme.</i>                                       |
| For sub-category (b) a single rating of AA or above by a domestic or international rating agency will be acceptable.   | <i>Investment in subordinate/ Tier II Bonds shall be made only with approval of Executive Investment Committee (EIC).</i>  |
| For sub-category (a) and (b), the investments made in debt securities and Rupee Bonds with residual maturity period of less than three years on the date of investment shall be limited to 10% of the investments made in Scheme/Asset Class C during the preceding 12 months.   | <i>The exposure to debt securities (listed/proposed to be listed) to any <b>non- PSU/non-PFI</b></i>   |

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| <p>In case of securities where the principal is to be repaid in a single payout, the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout, then the maturity of the securities shall be calculated on the basis of weighted average maturity of the security.</p> <p>For sub-category ( e) and (f), the Trust should be rated as ‘AA’ or equivalent in the applicable rating scale by at least two credit rating agencies registered with SEBI.</p> <p>It is clarified that debt securities covered under ‘Other Securities of Scheme/Asset Class G’ are excluded from Scheme/Asset Class C. However “Govt. of India-Fully Serviced Bonds” issued by Public Sector Undertaking under Extra Budgetary Resources prior to 3<sup>rd</sup> Jun 2020 may be retained under this category.</p> | <p><i>company/SPV whose Equity shares are not listed on NSE/BSE shall not exceed 1% of total AUM of the Pension Fund.</i></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) Term Deposit Receipt:</p> <p>1) The exposure in one Public or Private Sector Bank shall not exceed <b>10%</b> of total scheme AUM.</p> <p>2) Investment in Term Deposit receipts would be restricted to PSU Banks and top 5 private sector banks in terms of total asset size, provided all the conditions mentioned in the PFRDA guidelines are fulfilled.</p> |
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| <b>Scheme/Asset Class E (Tier-I &amp; Tier-II)</b>  |  |
|---|--|
| <p>(a) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks in terms of full market capitalization as on date of investment.</p> <p>Provided that a pension fund can hold stocks beyond the top 200 stocks, upto 2% of the equity AUM in respective schemes, if such stock is a constituent of the top 250 stocks prepared by NPS Trust.</p> <p>(b) Units of Equity Schemes 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>Provided that investment under such mutual funds shall not be in excess of 5% of the AUM under Scheme/Asset Class E at any point in time and the fresh investment in such mutual funds shall not be in excess of 5% of the fresh inflows invested in the year.</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 Sensex Index or NSE Nifty 50 Index.</p> <p>(d) Exchange Traded Funds regulated by Securities and Exchange Board of India that are constructed specifically for disinvestment of shareholding of the Government of India in body corporates.</p> <p>(e) Exchange Traded Derivatives regulated by the Securities and Exchange Board of India having the underlying of any permissible listed stock or any of the permissible indices (BSE Sensex Index or NSE Nifty 50 Index), with the sole purpose of hedging.</p> <p>Provided that the portfolio invested in derivatives in terms of contract value shall not exceed</p> | <p>a) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks in terms of full market capitalization as on date of investment as approved and published by NPS Trust on half yearly basis.</p> <p>Provided that a pension fund can hold stocks beyond the top 200 stocks, upto 2% of the equity AUM in respective schemes, if such stock is a constituent of the top 250 stocks prepared by NPS Trust.</p> <p>b) Exposure in one sector shall not exceed the “Sector weight in BSE 200 + 10%”.</p> |

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of 5% of the AUM under Scheme/Asset Class E at any point of time.

(f) Initial Public Offering (IPO), Follow on Public Offer (FPO) and Offer for Sale (OFS) of companies, approved by Securities and Exchange Board of India subject to fulfilment of the following conditions:-

- (i) Equity offering through IPO are proposed to be “listed” in BSE or NSE and full float market capitalization calculated at lower band of IPO issue price should be greater than the market capitalization of the 200<sup>th</sup> company as per the list of Top 200 stocks provided by NPS Trust (last published).
- (ii) Shares offered under Follow on Public Offer (FPO)/Offer for Sale (OFS) should be listed on BSE or NSE and constituent in the list of Top 200 stocks provided by NPS Trust (last published).
- (iii) Board approved Investment Policy of Pension Funds should contain detailed guidelines/procedure for Investments in IPO. Investments in Equity Shares through IPO/FPO or OFS shall be reported to NPS Trust within 30 days from the date of investment.
- (iv) In case a Pension Fund have invested through IPO and the prescribed market capitalization condition does not get fulfilled post listing of the IPO or it fails to be in the latest published list of Top 200 stock provided by NPS Trust, a time period of maximum one year from the date of listing shall be provided to the Pension Fund for making a decision on selling such shares.

Pension Fund shall adopt the list of top 200 stocks prepared by NPS Trust in this regard and NPS Trust would adhere to the following points while preparing the list:-

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|--|--|
| <p>(i) If a stock is listed on more than one recognized stock exchange, an average of full market capitalization of the stock on all such stock exchanges, will be computed;</p> <p>(ii) In case a stock is listed on only one of the recognized stock exchanges, the full market capitalization of that stock on such an exchange will be considered.</p> <p>(iii) The list of stocks under (i) and (ii) above, would be circulated by NPS Trust and the same would be updated every six months based on the data as on the end of June and December of each year. The list shall be circulated by NPS Trust within 5 calendar days from the end of the 6 months period.</p> <p>(iv) While preparing the single consolidated list of stocks, average full market capitalization of the previous six month of the stocks shall be considered. Subsequent to any updation in the list, Pension Funds would have to rebalance their portfolios (if required) in line with updated list, within a period of six months. The decision to hold such stocks in the portfolio shall have to be approved by the Investment Committee of the Pension Fund and also to be informed to the Board of Pension Fund. NPS Trust shall monitor the compliance of the above provision and inform PFRDA at regular interval.</p> |  |
| <b>Scheme/Asset Class A (Tier-I)</b>   |  |
| <p>(a) Commercial mortgage based Securities or Residential mortgage based securities.</p> <p>(b) Asset Backed Securities regulated by the Securities and Exchange Board of India.</p> <p>(c) Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.</p> <p>(d) Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.</p>  |  |

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(e) Investment in SEBI Regulated 'Alternative Investment Funds' AIF (Category I and Category II only) as defined under the SEBI (Alternative Investment Fund) Regulations, 2012.

(f) Listed (or proposed to be listed in case of initial offering ) Basel III Tier-1 bonds issued by scheduled commercial banks under RBI Guidelines

Provided that investment under this category shall only be in listed instruments or fresh issues that are proposed to be listed except in case of category (a) and (b) above.

Provided further that investment under sub-category (a) to (d) & (f) above shall be made only in such securities which have minimum 'AA' or equivalent rating in the applicable rating scale. For sub-category (c), (d) & (f) the rating should be from atleast two credit rating agencies registered with the Securities and Exchange Board of India and if the securities/entities have been rated by more than two rating agencies, the two lowest of the rating shall be considered and for sub-category (a) and (b) rating from only one credit rating agency will be sufficient.

Provided further that in case of t sub-categories (c) and (d), the Trust should have minimum rating of 'AA' or equivalent rating in the applicable rating scale of the Trust from atleast two credit rating agencies registered by Securities Exchange Board of India.

Investments in sub-category ( e) (i.e. AIF – Cat. I and Cat. II) is allowed subject to:-

(i) The permitted funds under category I are Start-up Funds, Infrastructure Funds, SME Funds, Venture Capital Funds and Social Venture Capital Funds as detailed in Alternative Investment Funds Regulations, 2012 by SEBI.

(ii) For category II AIF as per Alternative Investment Funds Regulations, 2012 by SEBI, at

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least 51% of the funds of such AIF shall be invested in either of the Startup entities, infrastructure entities or SMEs or venture capital or social welfare entities.

(iii) Pension Fund shall invest only in those AIFs whose corpus is equal to or more than Rs.100 crores.

(iv) The exposure to single AIF shall not exceed 10% of the AIF size.

(v) Pension Funds to ensure that funds should not be invested in securities of the companies or Funds incorporated and operated outside the India in violation of Section 25 of the PFRDA Act 2013.

(vi) The sponsors of the Alternative investment funds should not be the promoter in Pension Fund or the promoter group of the Pension Fund.

(vii) The AIFs shall not be managed by Investment manager, who is directly or indirectly controlled or managed by Pension Fund or the promoter group of the Pension Fund.

Investments in sub-category (f) is allowed provided that:-

(i) at any point of time, the total portfolio invested in this sub-category shall not exceed 5% of the total AUM managed by the Pension Fund under Scheme/Asset Class G, C, E, & A for both Tier-I & Tier-II.

(ii) 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 across all schemes managed by the Pension Fund shall not exceed 20% of such Tier I Bonds issued by that Bank.

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|---|---|
| <p>(iii) The investment by Pension Fund in a single issuer shall not exceed 10% of the AUM under Scheme/Asset Class A.</p> <p>Pension Funds are required to ensure due diligence in the best interest of subscribers before investing in Scheme/Asset Class A. Pension Funds are advised to consider all the risks such as liquidity risk, integrity risk, operational risk and control issues and conflicts of interest while making a decision to invest in Scheme/Asset Class A and these are to be documented while making such decisions.</p> <p><b>Asset Class A shall not be available to NPS subscribers under Tier II account.</b></p> |   |
| <b>Addition</b>   |   |
| <p>In addition to the permissible instruments of investments as mentioned above for each Scheme/Asset Class, Pension Fund can temporarily park the inflows/funds in short-term debt instruments and related investment as noted below subject to the following limits;</p> <p>(i) 10% of AUM for each of the Scheme/Asset Class under NPS Tier-I</p> <p>(ii) 20% of AUM for each of the Scheme/Asset Class under NPS Tier-II</p> <p>(iii) the aforesaid limits shall not be applicable till the AUM of the respective Scheme/Asset Class reaches Rs. 5 crore.</p>   |   |
|   |   |
| <b>Short-term debt instruments and related investments</b>  |   |
| <p>(a) Money market instruments comprising of Treasury Bills, Commercial Paper and Certificates of Deposit</p> <p>Provided that investment in Commercial Paper issued by body corporates shall be made only</p>   | <p><u>Investment in Term Deposit Receipt:</u></p> <p><i>The exposure in one Public or</i></p> |

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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.

Provided further that if Commercial Paper has been rated by more than two rating agencies, the two lowest of the ratings shall be considered.

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 point no. ( c) of Scheme/Asset Class C.

(b) Term Deposit Receipts of up to one year maturity issued by such scheduled commercial banks which satisfy all conditions mentioned in point no. ( c) of Scheme/Asset Class C.

(c) Investments in units of a Debt scheme of a Mutual Fund as regulated by Securities and Exchange Board of India where investment is in short term securities with Macaulay duration of less than 1 year viz. Overnight fund, Liquid Fund, Ultra Short Duration Fund and Low duration fund with the condition that the average total asset under management of AMC for the most recent six-month period should be at least Rs. 5,000/- crores.

(d) Investments in Government Securities as Lender in Triparty Repo conducted over the Triparty Repo (Dealing) System (TREPS) provided by RBI through Clearing Corporation of India Limited (CCIL).

*Private Sector Bank shall not exceed **10% of total scheme AUM.***

*Investment in Private Sector Banks would be restricted to **HDFC Bank, Axis Bank and ICICI bank only provided all the conditions mentioned in PFRDA guidelines are fulfilled.***

2. At any given point of time the portfolio under each Scheme/Asset Class should adhere to the permissible instruments of investments and also should not exceed the maximum limit prescribed for the sub-categories, if any. However, asset switch because of any RBI mandate Government debt switch would not be covered under this restriction.
3. 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.
4. The prudent investment of the inflows funds within the prescribed pattern is the fiduciary responsibility of the Pension Funds. NPS Trust shall monitor the investment decisions of the Pension Funds with utmost due diligence.
5. The Pension Funds and NPS Trust will take suitable steps to control and optimize the cost of management of the schemes.
6. The NPS trust and Pension Funds will ensure that the process of investment is accountable and transparent. It should be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the Pension Fund in that particular asset and also during the period over which it is held in the scheme. The requirement of ratings as mandated in this circular 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 to be carried out by the Pension Fund.
7. For equity investments through stock brokers, the amount of brokerage that can be debited to the schemes shall not exceed 0.03% of the equity transaction amount inclusive of stamp duty and applicable taxes.
8. The following restrictions/filters/exposure norms would be applicable to reduce concentration risks. It would, however, not be applicable to any of the Scheme/Asset Class under NPS Tier-I & II till the Scheme/Asset AUM reaches Rs. 5 crores and to Scheme/Asset Class A, till the scheme AUM reaches Rs. 15 crores:

a) NPS **Equity** investments have been restricted to 5% of the 'paid up equity capital'\* of all the sponsor\*\* group\*\*\* companies or 5% of the total AUM managed by the Pension Fund under Scheme/Asset Class G, C, E, & A for both Tier-I & Tier -II, whichever is lower, in each respective scheme and 15% in the paid up equity capital of all the non-sponsor group companies or 15% of the Scheme AUM 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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**\*\*‘Sponsor’** shall mean an entity described as “Sponsor” under Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015 and subsequent amendments thereto.

**\*\*\*‘Group’** means two or more individuals, association of individuals, firms, trusts, trustees or bodies corporate, or any combination thereof, which exercises, or is established to be in a position to exercise, significant influence and / or control, directly or indirectly, over any associate as defined in Accounting Standard (AS), body corporate, firm or trust, or use of common brand names, Associated persons, as may be stipulated by the Authority,

Explanation: Use of common brand names in conjunction with other parameters of significant influence and / or control whether direct or indirect shall be reckoned for determination for inclusion as forming part of the group or otherwise.

All Pension Funds shall publish on their respective website a list of their group companies and those of their sponsor.

b) NPS **Debt** investments have been restricted to 5% of the ‘net-worth’# of all the sponsor group companies or 5% of the Scheme AUM whichever is lower in each respective scheme and 10% of the net-worth of all the non-sponsor group companies or 10% of the Scheme AUM 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% of AUM under all 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) For investments made in Index funds/ETF/Debt MF, the exposure limits under such Index funds/ETF/Debt MF shall not be considered for compliance of the prescribed the Industry Concentration, Sponsor/ Non Sponsor group norms under these guidelines.

e) The exposure norms for investment in InvITs/REITs are as under:

i) Cumulative Investments in Units and Debt Instruments of InvITs and REITs shall not exceed 3% of total AUM of the Pension Fund at any point of time.

ii) Pension Fund shall not invest more than 15% of the outstanding Debt instruments issued by single InvIT/REIT issuer.

iii) Pension Fund shall not invest more than 5% of the Units issued by a single InvIT/REIT issue.

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9. The value of funds invested by Pension Fund in any mutual funds mentioned in any of the categories or ETFs or Index Funds shall be reduced from the respective scheme AUM before computation of investment management fees payable to them, to avoid double incidence of costs. However, investments made by Pension Funds in ETFs/Index Funds for the purpose of disinvestment of shareholding of the Government of India in body corporates, Bharat Bond ETF/Debt ETF issued by Government of India in respect of bonds issued by CPSEs, CPSUs, CPFIs and other Government organizations and all short duration mutual funds (liquid mutual fund, overnight fund ultra-short duration fund etc.) as permitted by SEBI, would be eligible for payment of investment management fee.
10. Transfer of securities within the same scheme or inter scheme are allowed only if such transfers are done at the prevailing market price for traded instruments or at the valuation price for non-traded instruments and the securities so transferred are in conformity with the investment objective of the scheme to which such transfer has been made. Such transfers may be allowed in following scenarios:

- i. To meet liquidity requirement in a scheme in case of unanticipated redemption pressure.
- ii. To adjust securities received through corporate action.

The inter scheme transfers are allowed only on exceptional basis. The Pension Fund shall inform NPS Trust and Authority upon exercise of this option.

11. Pension Fund are permitted to keep securities as margin with the CCIL for margin requirements for investment in Government securities and Triparty Repo (Dealing) System (TREPS).
12. For Nation Pension Scheme Tier II- Tax Saver Scheme, 2020 (NPS-TTS) which is available for subscription only by Central Government employees, the following investments limits will apply:

| Asset Class                                  | Limits   |
|--|----------|
| Equity (as per Asset Class E of NPS Tier II) | 10%-25%  |
| Debt (as per Asset Class C & G NPS Tier-II)  | Upto 90% |
| Cash/Money Market, Liquid Mutual Funds*      | Upto 20% |

\*this limit shall be applicable only after the scheme corpus reaches Rs. 5 crore.

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**C. Investment Guidelines for Unified Pension Scheme – Pool Corpus**

PFRDA vide its letter File no. PFRDA-02/03/1/0001/25-REG-PF dated 9<sup>th</sup> April, 2025 has issued Investment Guidelines for Unified Pension Scheme – Pool Corpus (UPS Pool Corpus) w.e.f 1<sup>st</sup> April, 2025.

The investment guidelines contained in the Master Circular on Investment Guidelines for UPS/NPS/APY Schemes- Central/State Government (default), Corporate CG, NPS Lite, Atal Pension Yojana and APY Fund Scheme (PFRDA/Master Circular/2025/02/PF-01 dated 28<sup>th</sup> March, 2025) shall be applicable for ‘UPS Pool CG Scheme’ subject to the minimum credit rating (being “AAA”) of debt instruments and the revised upper limits of investments for the permitted asset classes as provided hereunder:-

| <b>Permitted Asset Classes</b>   | <b>Prescribed Upper Limits (upto)<br/>for UPS Pool Corpus</b> |
|--|---|
| Government Securities and related Investments<br>(Govt. Securities)      | 65%   |
| Debt Instruments and related Investments<br>(Corporate Bonds)            | 30%*  |
| Short term debt instruments and Related<br>Investments<br>(Money Market) | 25%   |
| Equities and related Investments<br>(Equity)                             | 25%   |
| Asset Backed, Trust Structured and Miscellaneous<br>Investments          | 5%  |
| <b>Total</b>   | <b>150%</b>   |

*\* credit rating of instruments under the category of “Debt Instruments & related investments (Corporate Bonds)” shall be ‘AAA’ or equivalent.*

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**4. INITIAL PUBLIC OFFER, FOLLOW ON PUBLIC OFFER & OFFER FOR SALE**

**I. Investment Guidelines Prescribed by PFRDA**

Following investment guidelines were prescribed by master circular no. PFRDA/MASTERCIRCULAR/2023/01/PF-01 Dated: 18<sup>th</sup> August, 2023 (Government Schemes) and PFRDA/MASTERCIRCULAR/2023/02/PF-02 Dated: 22<sup>nd</sup> September, 2023 (Private Schemes) while making investment in Initial Public Offer (IPO), Follow on Public offer (FPO) and Offer for sale (OFS):

- a. Equity offering through IPO are proposed to be “listed” in BSE or NSE and full float market capitalization calculated at lower band of IPO issue price should be greater than the market capitalization of the 200<sup>th</sup> company as per the list of Top 200 stocks provided by NPS Trust (last published).
- b. Share offered under Follow on Public Offer (FPO)/Offer for Sale (OFS) should be listed on BSE or NSE and constituent in the list of Top 200 stocks provided by NPS Trust (last published).
- c. Board approved Investment Policy of Pension Funds should contain detailed guidelines/procedure for investment in IPO. Investments in Equity Shares through IPO/FPO or OFS shall be reported to NPS Trust within 30 days from the date of investment.
- d. In case a Pension Fund have invested through IPO and the prescribed market capitalization condition does not get fulfilled post listing of the IPO or it fails to be in the latest published list of Top 200 stock provided by NPS Trust, at time period of maximum one year from the date of listing shall be provided to the Pension Fund for making a decision on selling such shares.

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**II. Decision making process to be followed for primary market equity investment /divestment would be as follows-**

**A) Purchase of Equity**

| <b>Category</b>  | <b>Recommendation</b>  | <b>Decision making Process</b>   | <b>Approving Authority</b>  |
|--|--|--|---|
| IPO, FPO, OFS, Rights issue, Warrant conversion, Exercise of call option, etc. | Investment argument note to be prepared by Research analyst. | Fund manager to take investment decisions on the basis of<br>a) Available information from Research analyst, b) Available information from offer document, c) Publicly available information about the company & industry/ sector, d) Information gathered from other sources.<br>While making an investment decision, factors such as regulatory investment restrictions, liquidity needs, stock/sector's existing weightage, overall risk profile are also kept in mind. Reasons if any, other than the investment arguments prepared by Research Analyst, may be indicated. | Chief Investment Officer to forward proposal to Equity EIC for approval |

**B) Sale of Equity**

| <b>Category</b>   | <b>Recommendation</b>  | <b>Decision making Process</b>   | <b>Approving Authority</b>  |
|---|--|--|---|
| It may cover open offers, buyback through tendering process, etc. | Research analyst to write a short note outlining recent development, earnings updates etc. | Fund manager to take investment decisions on the basis of<br>a) Available information from Research analyst, b) Available information from offer document, c) Publicly available information about the company & industry/ sector, d) Information gathered from other sources.<br>While making an investment decision, factors such as regulatory investment restrictions, liquidity needs, stock/sector's existing weightage, overall risk profile are also kept in mind. Reasons if any, other than ones mentioned in the short note may be indicated. | Chief Investment Officer to forward proposal to Equity EIC for approval |

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**III. Delegation of Power in respect of Primary market Investment / Divestment**

| Type of Investment category  | Delegated authority   |
|--|---|
| **IPO  | EIC   |
| FPO/ OFS/Rights issue / warrant conversion / Exercise of call option/ Open offer / Buyback through the process of tendering, etc | As the market price is available, proposed secondary equity market delegation would be applicable for the respective delegated authorities. |

\*\*Total application size is defined as summation of amount allocated under Anchor category and amount applied in QIB category.

**VI. Eligibility of company for Investment through IPO**

Due to volatile nature of equity markets, investment in IPO shall be restricted to such companies where the full float market capitalisation, calculated using the lower band of the issue price is at least 25% higher than the market capitalisation of the 200<sup>th</sup> company in the list of top 200 stocks of body corporates listed on BSE or NSE as provided by NPS Trust (last published list)

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**5. 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 through circular resolution on 3<sup>rd</sup> February 2022.

UTIPFL to have an Executive Investment Committee (EIC). Members of the committee are CEO, CIO, Equity Co-FM/FM, Debt FM, Chief Risk Officer. Quorum for above mentioned EIC would be presence of three out of Five members and one of the members has to be either CEO or CIO. EIC would authorize CIO to exercise the delegation for the total value approved by EIC for each proposal referred to EIC.

**A. Following overall limit applicable across all the NPS Schemes managed by UTIPFL for the transactions during the day based on the Face Value of Debt instruments / Debt Security and last closing price of equity security.**

**I) G-Sec (Central Govt Securities and SDL) Market**

| Type of Security / Investment category   | Delegated authority for daily transactions |  |                     |
|--|--|--|---------------------|
|  | Co-FM/FM                                   | CIO  | EIC                 |
| Primary [Auction in the G – Sec (Central Govt securities and SDL)]   | Upto Rs. 100 Crores                        | Above Rs.100 Crore and upto Rs 500 crores  | Above Rs 500 crores |
| Secondary [Government Securities (Central Govt Sec and SDL) and units of dedicated G-Sec schemes of Mutual funds.] | Upto Rs 100 crores                         | Above Rs 100 crore and upto Rs. 250 Crores | Above Rs.250 Crores |

**II) Corporate Bond Market**

| Type of Security / Investment category (Primary and Secondary market)                     | Delegated authority for daily transactions |  |                     |
|---|--|--|---------------------|
|   | CO-FM/FM                                   | CIO                                      | EIC                 |
| a) Debt instruments with AAA rating from atleast 2 credit rating agencies.                | Upto Rs 50 crore                           | Above Rs 50 crore and upto Rs. 250 Crore | Above Rs.250 crores |
| b) Term Deposits with PSU Banks   |  |  |                     |
| Debt instruments with credit rating of AA+ and AA from at least 2 credit rating agencies. | Nil  | Nil                                      | Fully Authorised    |

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### **III) Primary Equity Market**

As per the IPO/FPO/OFS Policy note

| Type of Investment category  | Delegated authority   |
|--|---|
| **IPO/QIP  | EIC   |
| FPO/ OFS/Rights issue / warrant conversion / Exercise of call option/ Open offer / Buyback through the process of tendering, etc | As the market price is available, proposed secondary equity market delegation would be applicable for the respective delegated authorities. |

\*\*Total application size in IPO is defined as summation of amount allocated under Anchor category and amount applied in QIB category.

### **IV) Secondary Equity Market**

| Type of Security / Investment category                                 | Delegated authority for daily transactions |  |                      |
|--|--|--|----------------------|
|  | CO-FM /FM                                  | CIO  | EIC                  |
| a) Total value transacted by all NPS schemes in one day in one company | Upto Rs 15 crore                           | Above Rs 15 crores and Upto Rs. 100 Crores | Above Rs. 100 Crores |
| b) Equity linked mutual fund   |  |  |                      |
| Total value of transactions by all NPS scheme in one day               | Upto Rs 50 crore                           | Above Rs 50 crores and Upto Rs. 300 Crores | Above Rs. 300 Crores |

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

1. The above delegation is calculated on the face value of the investments.
2. Minimum credit rating shall be “AA” by atleast two registered Credit Rating Agencies.
3. If the securities / entities have been rated by more than two rating agencies, the two lowest of all the ratings shall be considered.
4. The investments in the following shall be made only after the prior approval of the Executive Investment Committee (EIC): -
  - a) Debt instruments of NBFCs rated below AAA; and
  - b) Investment in debt securities of real estate companies (listed and unlisted) /SPVs shall be made only in AAA rated securities. Any such investment would be reported to the Committee.



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**B. Delegation of powers to officials in the absence of delegated authority**

In the absence of CIO, all the powers of CIO would be exercised by CEO.

**C. Formation of Internal Investment Committee (IIC)**

Investment Committee (IC) would be formed to review performance and strategy. Members of IC would be CEO, CIO, Chief Risk Officer(CRO). CoFM/FM(equity) and FM(Debt) would be invitee to the meeting. CRO would be also be member secretary to the committee. Meeting of IC would be held every month.

**D. Decision making process**

**I) Corporate Bond**

For every primary market issuance, credit analyst will evaluate the credit worthiness of issuer and prepare credit note. Also credit analyst will prepare quarterly earnings update on all issuers of holdings in the portfolio. Fund manager may take investment decisions on the basis of a) Credit note prepared by credit analyst, b) Earnings update prepared by credit analyst c) Available information issue memorandum, d) Publicly available information about the company & industry/ sector, e) Information gathered from other sources. While making an investment decision, factors such as regulatory investment restrictions, liquidity needs, existing weightage, overall risk profile are also kept in mind.

**II) Equity**

For every eligible IPO, equity analyst will evaluate and carry out fundamental analysis of an issuer and prepare investment arguments. Also equity analyst will prepare quarterly earnings update on all the holdings in the portfolio. Equity analyst will also prepare notes on management meetings/analyst calls etc. Fund manager to take investment decisions on the basis of a) Investment argument prepared by equity analyst, b) Earnings update prepared by equity analyst c) Publicly available information about the company & industry/ sector, d) Information gathered from other sources. While making an investment decision, factors such as regulatory investment restrictions, liquidity needs, stock/sector existing weightage, overall risk profile are also kept in mind.

**E. Reporting mechanism:**

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

## **6. 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 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 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 CRISIL Limited for providing valuation services to the Pension Fund Managers.

Therefore, valuation is done by the CRISIL Limited.

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## **7. LIQUIDITY:**

The cash Flow information is available in the mPower which may be downloaded by Fund Managers / Dealer / Back Office for reference and utilization of funds.

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

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

### **Minimum Liquidity to be maintained by Schemes:**

The following table also lists down the minimum liquidity to be maintained for each NPS scheme:

| <b>Scheme Name</b>              | <b>Scheme Code</b> | <b>Minimum Liquidity as a % of AUM</b> |
|---------------------------------|--------------------|--|
| NPS SCHEME - CENTRAL GOVT       | SM002001           | Nil                                    |
| NPS SCHEME - STATE GOVT         | SM002002           | Nil                                    |
| NPS SCHEME E - TIER I           | SM002003           | Nil                                    |
| NPS SCHEME C - TIER I           | SM002004           | Nil                                    |
| NPS SCHEME G - TIER I           | SM002005           | Nil                                    |
| NPS SCHEME E - TIER II          | SM002006           | Nil                                    |
| NPS SCHEME C - TIER II          | SM002007           | 1.00%                                  |
| NPS SCHEME G - TIER II          | SM002008           | 1.00%                                  |
| NPS LITE SCHEME GOVT. PATTERN   | SM002009           | Nil                                    |
| NPS SCHEME -ATAL PENSION YOJANA | SM002011           | Nil                                    |
| NPS SCHEME A - TIER I           | SM002012           | 1.00%                                  |
| NPS SCHEME TAX SAVER TIER 2     | SM002014           | Nil                                    |

In case of liquidity dropping below the levels mentioned in the above table, the Fund manager would take the necessary corrective action in the next five trading days.

## **8. STOP LOSS POLICY**

### **Background**

UTIPFL manages Pension Funds and invests in accordance with PFRDA Investment Guidelines and Internal Investment norms laid down by the Board. As the funds are long term in nature, the Fund follows a conservative style of management, investing the corpus in listed equities & Debt instruments of corporates with high credit quality with a long term track record.

### **Stop Loss Policy**

Stop Loss Policy is generally used by Traders for a trading portfolio where trades are based on Technical Analysis rather than on long term fundamentals or to capture short term profit in view of the expected change in scenario or event.

The portfolio under NPS follows a different approach and is built for a long term horizon with the inherent objective of safety and stable capital appreciation over the life of investments.

In the above background, we propose a stop loss policy as under:-

### **Equity Investments**

The Funds invest mostly in Top 200 companies provided by PFRDA/ NPS Trust. Continuous monitoring of the equity portfolio & keeping track of the fundamentals of the company is undertaken for all stocks wherein we have investments. Stop loss will be triggered in any of the following conditions -

- a. If Consolidated Revenue, EBITDA & PAT decline  $\geq 20\%$  together on a year on year (y-o-y) basis.
- b. In case of companies in the Financial Sector, an increase of 100 bps in Gross NPA's on quarter on quarter (q-o-q) basis.
- c. If monthly stock price correction is  $\geq 25\%$  relative to the benchmark.

### **Monitoring mechanism for Stop Loss instances**

The following mechanism is to be adopted for stop loss monitoring:-

- There is a Stop Loss committee comprising of the CEO, CIO, Equity Fund Manager and Fixed Income Fund Manager.
- All the instances of Stop Loss may get reported within 72 hours of the trigger to the Stop Loss Committee.
- The committee after having detailed deliberation on several parameters like fundamentals, operational, etc. may take a view to buy, hold or sell the stock.

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- All the stop loss instances would be monitored and examined by the investment team and decisions of the stop loss committee would be brought to the notice of CEO UTIPFL for approval.
- In case the decision to sell the stock is taken by the stop loss committee, the same may get executed within 15 days and in case of any liquidity constraint the same may get executed within 30 days from the day of decision.
- All the stop loss instances as approved by the Stop Loss Committee must be reported to the Investment & Risk Management Committee of the Board in the upcoming meetings and also inform to the NPS Trust.
- If Consolidated Revenue, EBITDA & PAT decline  $\geq 20\%$  together on a quarter on quarter (q-o-q) basis then such companies would be reported to Investment management committee, Risk management committee and Board of UTIPFL.

**Debt Investment**

- ✓ In case the rating is downgraded by two notches in any debentures /Bonds wherein we have exposure and the company's financials are reasonably expected to further deteriorate in future, it would trigger a stop loss.
- ✓ In case of any Investment falling below investment grade all attempt will be made to exit the Investment at the earliest. This is also as per the Guidelines laid down by the Regulator.

**Proposed course of action - Debt**

All such cases would be monitored, examined and the decision whether to hold or exit would be taken by the investment team and brought to the notice of CEO – UTIPFL for approval. All cases wherein stop loss is triggered would be reported to the Investment Committee and Risk Management Committee on quarterly basis and also informed to the Regulator.

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**9. Prudential norms, Income recognition, Asset classification and Provisioning of NPA**

PFRDA vide its Addendum no. PFRDA/2023/31/REG-PF/02 dated 16<sup>th</sup> November, 2023 has issued addendum to the Valuation Guidelines for Securities held under NPS issued vide circular no. PFRDA/2019/23/REG-PF/4 dated 21<sup>st</sup> November, 2019.

The above addendum supersedes the earlier PFRDA (Identification, Income Recognition and Provisioning of NPA) Guidance Note 2013 and it pertains to Classification of Debt Securities (Other than Government Securities) held under NPS.

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**10. Active and Passive deviation/breaches**  
**{Circular No. PFRDA/2022/04/SUP-PF/01 Dated 4<sup>th</sup> February, 2022}**

1) The following are some of the instances which would be treated as active and passive breaches/deviations while determining the applicability of the breaches/deviations and accordingly will be reported to the Regulator as stipulated. The Instances outlined below are illustrative and not exhaustive for the purpose.

| <b>Sr. No.</b> | <b>Active Breaches/Deviations</b>   | <b>Passive Breaches/Deviations</b>   |
|----------------|---|--|
|                | Active breach of investments are such where the breach has happened, inter-alia due to the following factors:                           | Passive breach of investments are such wherein the breach has happened due to the following factors:   |
| 1              | Inappropriate limit monitoring systems which results in exceeding the limits of investment in a particular asset class.                 | Any deviation which takes place due to Corporate actions may be treated as passive breach.   |
| 2              | Taking no appropriate action on time when the limits are very much closer of exceeding the investment limit.                            | Temporary deviation in asset class exposure arising due to extreme market fluctuations (Equity Indices (NIFTY fifty) movement of more than 2% or 10 Year Benchmark GOI yield movement of more than 25 basis points, on closing basis, on date of deviation). |
| 3              | Non-adherence of issuer/exposure limits by the Pension Fund.  | Any deviation which the NPS Trust recommends as Passive deviation on case to case basis.   |
| 4              | Non-adherence of sectoral limits/industry level limits by the Pension Funds.  |  |
| 5              | Non-adherence to sub-limits of a particular asset class.  |  |
| 6              | Non-adherence of sponsor/non-sponsor group exposure limits.   |  |
| 7              | Breaches due to incorrect classification of investments in different asset classes across schemes resulting into deviation of the limit |  |
| 8              | Making new investments in the securities which are not prescribed by the Authority in the investment guidelines.                        |  |
| 9              | Non-adherence to the credit rating requirements prescribed in the investment guidelines.  |  |
| 10             | Non-adherence of broker limits.   |  |

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| <b>Sr. No.</b> | <b>Active Breaches/Deviations</b>  | <b>Passive Breaches/Deviations</b> |
|----------------|--|------------------------------------|
| 11             | Non-disclosure/non-reporting of breaches to NPS Trust as per prescribed timelines.           |                                    |
| 12             | Non-adherence to the disclosure norms within the prescribed timelines on case to case basis. |                                    |

2) In case of the listed active breaches/deviations, the Pension Funds have to regularize the active breaches/deviations immediately within 3 business days from the date of the active deviation happened. However, all such instances of active breaches happened and regularized by the Pension Fund within 3 business days have to be reported to NPS Trust in its periodic reporting along with date on which breach happened and the date of regularization. It should be the endeavor of Pension Funds to regularize the passive breaches also on priority. All deviations/breaches, if any, have to be reported by the Pension Funds in their periodic reporting to the NPS Trust.

3) The investment which have been made in securities allowed as per the earlier investment guidelines and still held in the portfolio of the scheme, but do not form part of the latest investment guidelines and where explicit guidelines for any actions for those securities are not specified by the Authority shall not be treated as deviation.

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