Ministry of Finance

Department of Economic Affairs

PRESS RELEASE

Government notifies the Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds. This is reviewed from time to time and revisions are effected based on the developments in the financial market and economy. The investment pattern was last revised on 24th January, 2005. Subsequently, it was decided to revise the investment pattern to make it more flexible and give the trustees of these funds more autonomy and discretion. Accordingly, the proposed revised pattern was put up on the website of the Ministry of Finance in draft form in September, 2007 inviting comments. A large number of comments were received and these have been examined by the Government.

2. Based on this feedback, the revised investment pattern has been finalised and is being notified today. It explicitly recognises the fiduciary responsibility of the Trustees and the need for the exercise of due diligence by them and gives them greater flexibility in terms of a wider variety of financial instruments as well as greater freedom to actively manage the portfolio. The changes suggested in the new investment pattern include:

(i) merger of Central Government Securities, State Government Securities and units of gilt Mutual Funds into a single category and allowing investment up to 55% of the investible funds;

(ii) providing a flexible ceiling for various category of instruments instead of fixed investment ceiling as at present;

(iii) providing new category of instruments, such as, rupee bonds of multilateral funding agencies, money market instruments ;

(iv) permitting investment in term deposit receipts of not less than one year duration issued by scheduled commercial banks subject to the specified financial criteria; and

(v) permitting direct investment up to 15% of the investible funds in shares of companies on which derivatives are available in the Bombay Stock Exchange or National Stock Exchange.

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

(i) The Trustees of these funds will have freedom to exit from a rated financial instrument when their rating falls below investment grade as confirmed by one credit rating agency;

(ii) The Trustees have been given freedom of trading of securities, subject to the turnover ratio (i.e., the value of securities traded in the year divided by average value of the portfolio at the beginning and end of the year) not exceeding two.

(iii) Though it is expected that throughout the year the investments are in conformity with the investment pattern, the same may be achieved by the end of the financial year. Trusts will have the flexibility of exceeding the investment ceiling up to 10% of the limit prescribed during the year.

4. This investment pattern would come into force from 1st April, 2009, that is, from the financial year 2009-10. A copy of the new investment pattern is enclosed.

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The Press Information Bureau is requested to give wide publicity to this Press Release

(Dr. K.P.Krishnan)

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