

EMPLOYEES' PROVIDENT FUND ORGANISATION

NEW DELHI



**121st Meeting of the
FINANCE INVESTMENT AND AUDIT
COMMITTEE**

**[A SUB-COMMITTEE OF THE CENTRAL BOARD,
EMPLOYEES' PROVIDENT FUND]**

On

16.10.2015 at 3:00 P.M.

VENUE:

**Conference Hall,
3rd Floor, EPFO (Head Office),
Bhavishya Nidhi Bhawan,
14, Bhikaiji Cama Place,
NEW DELHI - 110066.**

EMPLOYEES' PROVIDENT FUND ORGANISATION

AGENDA BOOK
121st Meeting of the Finance Investment and Audit Committee,
Central Board , EPF.

Date: 16.10.2015

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Time: 3:00 P.M.

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| | Any other item (s) with the permission of the Chair | |

121st Meeting of FIAC 16.10.2015

Item No. 1: Confirmation of the Minutes of 120th Meeting of the Finance Investment and Audit Committee held on 23.06.2015 at EPFO, Headquarter, New Delhi.

Minutes of 120th Finance Investment and Audit Committee (FIAC) meeting held on 23.06.2015 was circulated vide letter No. Invest.1/(120th Mtg.)FIAC/2015/14800 dated 01.07.2015. Copy of the minutes is enclosed as **Annexure –'A'** of this item.

Minutes may be taken as confirmed.

**Minutes of the 120th Meeting of the Finance Investment & Audit
Committee (FIAC) held on 23-06-2015**

1. The 120th Meeting of the Finance Investment & Audit Committee was held on 23-06-2015 from 11.30 A.M. onwards in the Conference Hall, 3rd Floor, EPFO, Head Office, New Delhi.
2. The following members were present in the meeting.

| | | |
|----|-----------------------------|---|
| 1. | Shri K.K. Jalan | Chairman, FIAC, CBT, EPF and Central Provident Fund Commissioner |
| 2. | Ms. Meenakshi Gupta | Joint Secretary & Financial Advisor, Ministry of Labour & Employment |
| 3. | Shri Sudhir Shyam | Director, Deptt. of Financial Services, Ministry of Finance, Govt. of India, representative Joint Secretary, MoF, Govt. |
| 4. | Dr. G. Sanjeeva Reddy | Member, CBT, EPF (Employees' Representative) |
| 5. | Shri Prabhakar Bangalore | Member, CBT, EPF (Employees' Representative) |
| 6. | Shri J. P. Chowdhary | Member, CBT EPF (Employers' Representative) |

The following members could not attend the meeting:

| | | |
|----|--------------------|---|
| 1. | Shri Deepak Kumar | Additional Secretary (L&E), Ministry of Labour & Employment, Govt. of India |
| 2. | Dr. Ram S. Tarneja | Member, CBT, EPF (Employers' Representative) |

In addition to the above, Shri Sanjay Kumar, FA & CAO, EPFO and Convener was also present during the meeting.

Further, the following representatives of M/s CRISIL (EPFO's Consultant) also attended the meeting for the purpose of presentation in respect of item No. 6 of the agenda for the meeting'.

1. Shir Jiju Vidhyadharan
2. Shri Vikram Shastri
3. Shri Ankit Kala

The Chairman welcomed all the members and officers present in the meeting. With the permission of chair, the following items were discussed.

Item No. 1: Confirmation of the Minutes of 119th Meeting of the Finance Investment & Audit Committee held on 26-03-2015.

The minutes of 119th Meeting of the Finance Investment & Audit Committee held on 26-03-2015 were confirmed.

Item No. 2: Action taken report on the recommendation of the 119th Meeting of Finance Investment & Audit Committee (FIAC) held on 26-03-2015.

The action taken report as placed was taken note of by the Committee.

Item No. 3: Performance Evaluation of Portfolio Managers for the period 01.01.2015 to 31.03.2015

The proposal as contained in the agenda was approved by the Committee.

Item No. 4: Implementation of New Pattern of Investment notified by Ministry of Labour & Employment on 23rd April, 2015.

The proposal as contained in the agenda was taken note of by the Committee.

Item No. 5: Investment in Exchange Traded Fund (ETF) (This item was placed on table before the meeting).

The item was deliberated in detail by the Committee wherein the proposals as contained in the agenda were considered. The Committee desired that the process suggested in the agenda item should be reviewed after the end of the financial year, in order to improve upon the same. The Committee also suggested that some of the changes in Scheme provision, Manual of Accounts, etc. should be finalised as early as possible. It also directed that an agenda item on working of investments in ETF should be brought in each future FIAC meeting after we commence investments in ETF. Dr. G. Sanjeeva Reddy and JS & FA emphasized on the need to develop trained resources from among the cadre of officers of EPFO.

Subject to the above observations, the agenda item was approved.

Item No. 6: New Performance Benchmarking & Evaluation Criteria for the new mandate of Portfolio Managers.

The representative of M/s CRISIL, the consultant of EPFO made a detailed presentation on this issue. The proposal as contained in the agenda was approved by the Committee.

Item No. 7: Allocation of securities amongst the Portfolio Managers.

The proposal as contained in the agenda was taken note of by the Committee.

Item No. 8: Status of operationalisation of UTI AMC Ltd. as fifth Portfolio Manager.

The proposal as contained in the agenda was taken note of by the Committee.

The meeting ended with a vote of thanks to the chair.

Item No 2: Action Taken Statement on the minutes of 120th meeting of the Finance Investment and Committee (FIAC) held on 23.06.2015.

| Sr No. | Decisions/Directions of FIC | Action Taken |
|--------|--|---|
| 1. | <p>Performance Evaluation of Portfolio Managers for the period 01.01.2015 to 31.03.2015</p> <p>The proposal as contained in the agenda was approved by the Committee. <i>(Item no. 3 of 120th FIAC)</i></p> | <p>The item was for information of the Committee. Accordingly, no further action was required.</p> |
| 2. | <p>Implementation of New Pattern of Investment notified by Ministry of Labour & Employment on 23rd April, 2015.</p> <p>The proposals as contained in the agenda was taken note of by the Committee. <i>(Item no. 4 of 120th FIAC)</i></p> | <p>As decided, the Pattern of Investment 2015 has been implemented w.e.f. 01st July, 2015. (Action Complete)</p> |
| 3. | <p>Investment in Exchange Traded Fund (ETF) (This item was placed on table before the meeting).</p> <p>The Committee approved the proposal with certain observation. <i>(Item no. 5 of 120th FIAC)</i></p> | <p>As decided, Sub-Committee constituted by FIAC, negotiated with SBI MF on management fees on 20.07.2015. Approval of Hon'ble Chairman, CBT EPF on management fees negotiated by sub-Committee has been sought vide this office note dt. 05.08.2015.</p> <p>EPFO made first investment in ETF on 05.08.2015 of Rs. 11.85 crores in Nifty and Sensex ETFs. Update on the agenda is again being placed in this FIAC.</p> |
| 4. | <p>New Performance Benchmarking & Evaluation Criteria for the new mandate of Portfolio Managers.</p> <p>The proposal as contained in the agenda was approved by the Committee. <i>(Item no. 6 of 120th FIAC)</i></p> | <p>As approved, new performance Benchmarking & Evaluation Criteria has been adopted from the new mandate of Portfolio Managers that started w.e.f. 1st July, 2015. (Action Complete)</p> |

| | | |
|------------------|--|--|
| <p>5.</p> | <p>Allocation of securities amongst the Portfolio Managers.</p> <p>The proposal as contained in the agenda was taken note of by the Committee. <i>(Item no. 7 of 120th FIAC)</i></p> | <p>As approved, the securities have been allocated amongst the Portfolio Managers.</p> <p>(Action Complete)</p> |
| <p>6.</p> | <p>Status of operationalisation of UTI AMC Ltd. As fifth Portfolio Manager.</p> <p>The proposal as contained in the agenda was taken note of by the committee. <i>(Item no. 8 of 120th FIAC)</i></p> | <p>The item was for information of the Committee. Accordingly, no further action was required.</p> <p>(Action Complete)</p> |

121st Meeting of FIAC 16.10.2015

Item: 3- CBLO borrowing transactions by the Portfolio Managers till 18.09.2015.

Pursuant to the recommendation of CBT in its 204th Meeting held on 26.08.2014, the Ministry of Labour & Employment vide its letter no. G-20025/1/2014-SS-II dated 12th May, 2015 approved borrowing of funds from CBLO for participation in Primary Auctions of Government Securities and Corporate Bonds. Accordingly, the direction of Govt. on borrowing of funds from CBLO was communicated to all Portfolio Managers, that inter-alia mentioned following conditions:

- a) No borrowing will be done for more than 15 days.
- b) Prior to entering into such transaction, the Portfolio Managers shall intimate through email to Investment Monitoring Cell (IMC), at EPFO Head Office the details of proposed borrowing to be made and the matching purchase of security. The proposal should also contain the expected profit/gains from the transaction.
- c) The Portfolio Managers shall report full outcome of the transaction to the IMC after the borrowing is closed.
- d) The IMC shall compile all such transactions and place the same before FIAC in its next immediately following meeting.
- e) The outcome shall also be placed before the Board for information in next following meeting.

2. In view of the conditions stipulated, this agenda contains Outcome Report of the following transactions:

- I. Nuclear Power Corporation of India Ltd. (NPCIL)
- II. Indiabulls Housing Finance Company Ltd.
- III. State Development Loans (SDLs)

3. The borrowing from CBLO was done for the first time for participation in the issuance of Nuclear Power Corporation of India Ltd. (NPCIL) bonds on 29th July, 2015. All five Portfolio Managers successfully participated in said primary issuance of Rs. 3500 Crores.

4. The following are the details of profit made in the period of investment on borrowed fund:

| Proposed Mode of Borrowing | One time Terms Money Basis (Term segment of CBLO) |
|---|--|
| Yield on Investment of NPCIL Debentures | 8.40% |
| Cost of Borrowings in CBLO | 7.39% |
| Period of borrowing | 6 to 13 days |
| Total Amount of Borrowing through CBLO | Rs. 1901 Crs |
| Positive spread (in bps) | 101 bps (8.40%-7.39%) |
| Net Gains | Rs. 70,10,416/- |

5. Apart from the making profit of Rs. 70,10,416/-, EPFO through this mechanism of borrowing now approved could also participate in the issuance of NPCIL, which is desirable for EPFO in the long term.

6. The borrowing made from CBLO for participation in NPCIL primary issuance and total gains thereon has already been informed to Hon'ble Chairman CBT, EPF for kind perusal vide note dated 11th September, 2015.

7. Subsequently, two more transactions in r/o Indiabulls Housing Finance Company Ltd and State Development Loans (SDLs) have been done by the Portfolio Managers through CBLO borrowing, the details of which are as follows:

(A) Indiabulls Housing Finance Company Ltd

(I-Sec PD & Reliance Capital AML)

| Proposed Mode of Borrowing | One time Terms Money Basis (Term segment of CBLO) |
|---|--|
| Yield on Investment in Indiabulls Housing Finance bonds | 9.40% |
| Cost of Borrowings in CBLO | 7.30% |
| Period of borrowing | 10-11 days |
| Total Amount of Borrowing through CBLO | 283.65 Crs |
| Positive spread (in bps) | 210 bps (9.40%-7.30%) |
| Net Gains | Rs. 17,26,774.52 |

(B) State Development Loans (SDLs)

SBI

| Proposed Mode of Borrowing | One Time Term Money Basis (Term segment of CBLO) |
|--|---|
| Yield on Long Term Investment of SDLs | 8.41 % (Semi Annual Coupon of 8.24%) |
| Cost of Borrowing in CBLO | 7.39% |
| Total Amount of Borrowing through CBLO | Rs .67.25 Crore |
| Number of Days of Borrowing | 1 |
| Positive spread (in bps) between return of Long term investment v/s the cost of CBLO funding | 102 bp (8.41% - 7.39%) |
| Net Gains | Rs.18,784.63 |

UTI AMC

| Proposed Mode of Borrowing | One Time overnight CBLO |
|--|--------------------------------------|
| Weighted average yield on Long Term Investment of State Development Loans (SDLs) | 8.40 % (Semi Annual Coupon of 8.23%) |
| Cost of Borrowing in CBLO | 7.33% |
| Total Amount of Borrowing through CBLO | Rs 146.10 Crore |
| Number of Days of Borrowing | 1 Day |
| Positive spread (in bps) between return of Long term investment v/s the cost of CBLO funding | 107 bp (8.40% - 7.33%) |
| Net Gains | Rs 43,089.90 |

HSBC AMC

| Proposed Mode of Borrowing | One Time Term Money Basis (Term segment of CBLO) |
|--|---|
| Weighted average yield on Long Term Investment of State Development Loans (SDLs) | 8.40 % (Semi Annual Coupon of 8.23%) |
| Cost of Borrowing in CBLO | 7.30% |

| | |
|--|------------------------|
| Total Amount of Borrowing through CBLO | Rs 145.40 Crore |
| Number of Days of Borrowing | 6 Days |
| Positive spread (in bps) between return of Long term investment v/s the cost of CBLO funding | 110 bp (8.40% - 7.30%) |
| Net Gains | Rs 2,64,000 |

| | |
|--|------------------------|
| Net Gains for EPFO in r/o above SDLs transaction (Total of SBI, UTI & HSBC) | Rs. 3,25,873.63 |
|--|------------------------|

The item is placed before the FIAC for information. The same shall also be placed in the next CBT meeting for information.

121st Meeting of FIAC 16.10.2015

Item: 4- Performance Evaluation of Portfolio Managers for the period 01.04.2015 to 30.06.2015.

1. The Central Board of Trustees in its 195th meeting held on 14.07.2011 approved the appointment of following four fund managers for managing the EPFO corpus for a period of three years:

- i. State Bank of India.
- ii. ICICI Securities Primary Dealership Ltd.
- iii. Reliance Capital Asset Management Ltd.
- iv. HSBC Asset Management (India) Private Ltd.

The New Portfolio Managers started managing EPFO corpus from 01.11.2011.

2. Further, the Central Board of Trustees in its 191st meeting held on 09.12.2010 had also appointed CRISIL as a Consultant for Selection of New Multiple Fund Managers and their Performance Evaluation.

3. CRISIL evaluates the performance of the four portfolio managers of EPFO on the basis of following criteria:-

- ♦ **Portfolio Yields (85% weight)** – Higher the yield, better score in overall performance.
- ♦ **Asset Quality (10% weight)** – Asset Quality is measured using the credit quality scoring mechanism allotted by CRISIL to each security in the portfolio. G-Sec being risk free, have lowest credit score and corporate Bonds are assigned progressively higher score based on ratings. Lower the score better is ranking.
- ♦ **Average Maturity (05% weight)** – The average maturity of EPFO's portfolio should ideally be between 1-20 years and there is penalty attached in scoring, if more than 5% of portfolio has a residual maturity of more than 20 year or less than 1 year.

- (I) **Final Performance Evaluation (Ranking) on the basis of cumulative score on the above three criteria for the period 01.11.2011 to 30.06.2015:**

| Portfolio Manager | Aggregate Performance Score (Out of 100) | Rank |
|--------------------------|---|-------------|
| SBI | 99.99 | 1 |
| Reliance Capital AML | 99.69 | 2 |
| HSBC AML | 99.68 | 3 |
| ICICI Sec. PD Ltd | 99.65 | 4 |

(II) Quarterly Performance on Portfolio Yield Parameter:

(April to June 2015)

| Portfolio Manager | Yield% | Benchmark Yield% | Yield Rank |
|--------------------------|---------------|-------------------------|-------------------|
| SBI | 8.22% | 8.22% | 1 |
| ICICI Sec. PD Ltd | 8.18% | 8.22% | 2 |
| Reliance AMC | 8.17% | 8.22% | 3 |
| HSBC AMC | 8.15% | 8.22% | 4 |
| Overall EPFO | 8.19% | | |

- **For April - June 2015, the benchmark yield was 8.22%.**
- For the April- June 2015 quarter, except SBI, which generated yield at par with the benchmark yield, all portfolio managers underperformed the financial year benchmark yield of 8.22%.
- SBI generated the highest yield of 8.22% followed by I-Sec PD (8.18%), Reliance AMC (8.17%) and HSBC AMC (8.15%).
- The yield differential between the top performer and the lowest performer was unchanged at 7 bps in the April-June 2015 quarter compared with January- March 2015.

(III) Cumulative yield comparison (November 2011 to June 2015)

Portfolio Yield (85% weight)

| Portfolio Manager | Yield% | Benchmark Yield% | Yield Rank |
|--------------------------|---------------|-------------------------|-------------------|
| SBI | 9.21% | 9.12% | 1 |
| HSBC AMC | 9.19% | 9.12% | 2 |
| Reliance Capital AML | 9.18% | 9.12% | 3 |
| ICICI Sec. PD Ltd | 9.18% | 9.12% | 3 |
| Overall EPFO | 9.19% | | |

- **For the cumulative period November 1, 2011 to June 30, 2015 the benchmark yield was 9.12%**
- All portfolio managers outperformed the cumulative benchmark yield.
- SBI generated the highest yield of 9.21% for the period mainly on account of higher allocation to SDLs, among portfolio managers, with relatively higher weighted average yield.

- The yield differential between the top performer and the lowest performer was unchanged at 4 bps for the period ended June 2015 compared to the period ended May 2015.

4. It is highlighted that this is the last quarterly report of the Portfolio Managers under the old mandate that ended on 30th June, 2015. The new mandate of 5 Portfolio Managers has already commenced w.e.f. 1st July, 2015.

The item is placed before the FIAC for perusal and information.

Item: 5- Relaxation in investment guidelines for Private Scheduled Commercial Banks (SCBs).

1. During the financial year, there has been serious mismatch in the demand and supply of corporate credits. As a result, EPFO in the first 5 months of the present financial year had been able to invest only Rs.7,600 crore in the corporate credits (PSU as well as Private) including the term deposits of the banks. As per the new Pattern of Investment notified by Ministry of Labour on 23rd April, 2015, minimum 35% and upto 45% of the fresh accretion is to be invested in the corporate credits. This year, it is estimated that Rs.1,15,000 crore will be fresh accretion. Accordingly, Rs.32,500 crore on minimum side and Rs.44,500 crore on maximum side needs to be invested in the corporate credit in order to attain the pattern of investment notified by the Ministry of Labour in the remaining seven months of this financial year.
2. The attainment of above percentage of investment appears to be very difficult, rather the same may not be possible without compromising with the rate of return on the investments made by EPFO.
3. In the present situation of short supply of corporate credits, the rate of interest on the corporate credits has also gone down considerably. In fact, for the last one month, the State Development Loans (SDLs) issued by the various State Governments which is secured through the mechanism of automatic debit by RBI has been fetching higher rate of return as compared to corporate credits. It is brought to the kind notice of the Board that RBI for the purpose of calculation of CRR for the banks has assigned 100% security to SDL as well as G. Sec.
4. It is against common sense of investment to make investment in corporate credits having lower security and lower rate of interest as against SDLs having both higher interest and higher security in the prevailing market conditions.
5. In order to address the situation arising, the following 2 strategies are being suggested on the basis of extensive discussion with the Portfolio Managers in the Quarterly Meeting held in Mumbai on 21st August, 2015:

| Sl. No. | Guidelines | Private Scheduled Commercial Banks rated AA+ by atleast two rating agencies |
|---------|--------------------------|---|
| i. | Tenure | 10 |
| ii. | Limits as % of net worth | 20 |

8. The said agenda item was placed before the Central Board of Trustees (CBT), EPF in its 208th Meeting held on 16th September, 2015, wherein it has been learnt that the Board has requested to route the agenda through FIAC with its recommendations.

Accordingly, the proposal contained in Para 6 is placed for information and at Para 7 above for consideration and recommending it to the Board.

SPEED POST

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कर्मचारी भविष्य निधि संगठन
Employees' Provident Fund Organisation

(श्रम एवं रोजगार मंत्रालय, भारत सरकार)
(Ministry of Labour & Employment, Govt. Of India)

मुख्यालय / Head Office

Bhavishya Nidhi Bhawan, 14-Bhikaji Cama Place, New Delhi-110066

No. Invest.I/(121st Mtg.)/FIAC/2015

Date: 26.10.2015

14689

26 OCT 2015

To

All Members,
Finance Investment & Audit Committee,
Central Board of Trustees, Employees' Provident Fund.

Sub: Forwarding the Minutes of 121st meeting of the Finance Investment & Audit Committee (FIAC), CBT,EPF held on 16.10.2015 at EPFO, Head Office, New Delhi -Reg.

Sir,

Minutes of 121st meeting of the Finance Investment & Audit Committee held on 16.10.2015 approved by the Chairperson is enclosed herewith for your kind perusal and necessary action please.

Yours faithfully,

Encls:- As above

Kumar Punit

(KUMAR PUNIT)

ASSISTANT P.F. COMMISSIONER (INVESTMENT)

Minutes of the 121st Meeting of Finance Investment & Audit Committee (FIAC)

held on 16-10-2015

1. The 121st Meeting of Finance Investment & Audit Committee was held on 16-10-2015 from 3.00 P.M. onwards in the Conference Hall, 3rd Floor, EPFO, Head Office, New Delhi.
2. The following members were present in the meeting.

| | | |
|-------|----------------------------|--|
| (i) | Shri K.K. Jalan | Chairman, FIAC, CBT, EPF and Central Provident Fund Commissioner |
| (ii) | Shri Heera Lal Samariya | Additional Secretary (L&E), Ministry of Labour & Employment |
| (iii) | Ms. Meenakshi Gupta | Joint Secretary & Financial Advisor, Ministry of Labour & Employment |
| (iv) | Shri J.P. Chowdhary | Member, CBT EPF (Employers' Representative) |
| (v) | Dr. Sanjeeva Reddy | Member, CBT, EPF (Employees' Representative) |
| (vi) | Shri Prabhakar J. Banasure | Member, CBT, EPF (Employees' Representative) |
| (vii) | Shri Sanjay Kumar | FA & CAO (Convener) |

The names of the officer in attendance are annexed as Annexure –I

3. The Chairman welcomed all the members and officers present in the meeting. Thereupon the agenda were taken up.

Item No. 1: Confirmation of the Minutes of 120th Meeting of the Finance Investment & Audit Committee held on 23-06-2015.

The minutes of 120th Meeting of the Finance Investment & Audit Committee held on 23-06-2015 were confirmed.

Item No. 2: Action taken report on the recommendation of the 120th Meeting of Finance Investment & Audit Committee (FIAC) held on 23-06-2015.

The action taken report as placed was taken note of by the Committee. With respect to serial no. 3 of this item, Shri Prabhakar J. Banasure observed that necessary manpower may be posted in Investment Monitoring Cell and sufficient training may be provided to them.

Item No. 3: CBLO borrowing transactions by the Portfolio Managers till 18.09.2015

The proposal as contained in the agenda was taken note of by the Committee. The same item shall be placed in the next meeting of Central Board of Trustees'.

Item No. 4: Performance Evaluation of Portfolio Managers for the period 01.04.2015 to 30.06.2015.

FIAC noted the performance of Portfolio Managers for the period 01.04.2015 to 30.06.2015. FA & CAO clarified that said period pertained to earlier agreement, term of which ended on 30.06.2015 and accordingly, it would not be possible to take any action.

FIAC further observed that the underperformance of all Portfolio Managers may be tracked regularly and it was decided that notice may be served to those portfolio managers who underperform for two quarters continuously.

Item No. 5: Relaxation in investment guidelines for Private Scheduled Commercial Banks (SCBs)

FA & CAO introduced the item to the Committee. JS & FA observed that such important agenda should be self sufficient & shall contain all the details. CPFC intervened to say that it is true that agenda item should have been more detailed but it is important to take it up. The Committee, then, deliberated upon the issue and decided that it will be proper to go for consideration of CBT.

The Proposal as contained in Para 6 which is as below:

Para 6: With respect to (a):

- a) *For this particular financial year, the investment in SDLs may be permitted beyond the maximum percentage prescribed in the Pattern of Investment.*

It is informed that an elaborate item to this effect was brought before the CBT in its 204th meeting held on 26th August, 2014. The issue was also properly examined by FIAC in its 114^h meeting held on 25th August, 2014. In the said meeting it was decided that a proposal should be made to DFS, MoF Gol to allow investment in G.Sec./SDL upto 100%. A request to this effect has already been made to DFS. It is likely that it will agree to higher percentage of investments in G.Sec./SDL for this financial year. However, final communication to this effect is yet to be received. In this situation, it is brought to the notice of the Board that higher allocation to G.Sec./SDL is likely to be made by EPFO in this financial year particularly if the rate of AAA corporate credit of PSUs remain below SDL.

was taken note by the Committee.

The Proposal as contained in Para 7 which is as below:

Para 7: With respect to (b):

- (b) *The guidelines for investment in the corporate credits of private sector should be relaxed in order to include more corporate credits in the basket of investments eligible for EPFO.*

It is informed that an elaborate item to this effect was brought before the CBT in its 205th Meeting held on 19th December, 2014 after obtaining recommendation of FIAC in its 112th Meeting held on 28th April, 2014 to allow investment in Private Corporate Credits having minimum dual AA+ rating. This particular item has been referred to the Expert Committee headed by Sh. Arun Kaul which is yet to submit its final report. However, the issue has been elaborately deliberated in the said Committee regarding investment in AA+ Private Scheduled Commercial Banks that has suggested that the same may be allowed as the Banks in India are meticulously regulated by RBI and therefore the risk associated with Banks in India is much lower as compared to any other industry vertical. Accordingly, pending final report of the said Expert Committee after which on agenda relating to eligibility for investment in Private Corporate Credits shall be brought before the FIAC and CBT, it is proposed that investment in bonds and Term deposit of dual AA+ Private Scheduled Commercial Banks with the following conditions (w.r.t. bonds only) may be allowed:

| <i>Sl. No.</i> | <i>Guidelines</i> | <i>Private Scheduled Commercial Banks rated AA+ by atleast two rating agencies</i> |
|----------------|---------------------------------|--|
| <i>i.</i> | <i>Tenure</i> | <i>10</i> |
| <i>ii.</i> | <i>Limits as % of net worth</i> | <i>20</i> |

was decided to recommend for placing the same before the Central Board.

Item No. 6: Extension of tenure of Custodian of EPFO Securities M/s. Standard Chartered Bank (SCB) upto 31/03/2016 after their performance evaluation for the period 01.04.2014 to 30.06.2015.

FIAC noted the performance of SCB (Custodian) for period 01-04-2014 to 30-06-2015, and extended its term up to 31.03.2016 as per the term of existing agreements.

FIAC enquired about the terms of all external agencies including ECA (M/s.Chandoybhoy & Jassobhoy) and thereafter observed that process of appointment of External Concurrent Auditor may be initiated at the earliest so that new ECA is appointed well in time.

The meeting ended with a vote of thanks to the chair.

Annexure –I

| | | |
|-----|---------------------|---|
| i | Shri Sudhir Shyam | Representative, Director , Department of Financial Services, Ministry of Finance, Govt. of India, representative Joint Secretary, MOF& GOI. |
| ii | Shri Abhay Ranjan | RPFC-I (IMC) |
| iii | Shri Vishal Agarwal | RPFC-I II(IMC) |
| iv | Shri Ajay Kumar | RPFC-I II(IMC) |
| v | Shri Kumar Punit | APFC (Investment) |