The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Madam / Dear Sir,

Sale of Securities held in Held to Maturity (HTM) Category - Accounting treatment

Please refer to Para 16.2 of Master Circular DCBR.BPD.(PCB).MC.No.4/16.20.000/2015-16 dated July 01, 2015 on Investments by Primary (Urban) Co-operative Banks (UCBs) indicating that securities acquired by banks with the intention to hold them up to maturity will be classified under HTM category.

2. In this connection, it is reiterated that UCBs are not expected to resort to sale of securities held in HTM category. However, if due to liquidity stress, UCBs are required to sell securities from HTM portfolio, they may do so with the permission of their Board of Directors and rationale for such sale may be clearly recorded. Profit on sale of investments from HTM category shall first be taken to the Profit and Loss account and, thereafter, the amount of such profit shall be appropriated to 'Capital Reserve' from the net profit for the year after statutory appropriations. Loss on sale shall be recognized in the Profit and Loss account in the year of sale.

Yours faithfully,

(Neeraj Nigam)
Chief General Manager