

Guidelines on investment of surplus funds by Central Public Sector Enterprises (CPSEs).

Reference is invited to the Office Memoranda Nos DPE/4(3)/92-Fin dated 27.6.94, 1.11.95, 11.3.96, 2.7.96 and DPE/4(6)/94-Fin G-X VII dated 25.11.99 on the above subject which laid down the procedure for investments, banking transactions, investment in call money etc. Difficulties have been expressed by CPSEs in implementing some aspects of the guidelines and therefore, following revision in the guidelines is issued in consultation with Ministry of Finance (Department of Economic Affairs):—

1) Para 1(2) of guidelines dated 1.11.1995 provides that CPSEs should make best estimates of the availability of surplus funds in consultation with their administrative Ministry. Since the availability of surplus funds is for short duration only, preparing estimates for surplus depends upon operational and capital investment requirements. Consultation with the administrative Ministry involves time and investment opportunity in the meantime may not wait. **Therefore, it has been decided to empower CPSEs to prepare the best estimates of the availability of surplus funds for investment decisions to be taken by the Board of CPSE and then keep the Administrative Ministry informed. Consultation with administrative Ministry may not be made necessary.**

2) Para 2 (iv) of the guidelines dated 14.12.1994 had stipulated that “funds should not be invested by the CPSEs at a particular rate of interest for a particular period of time while the PSE is resorting to borrowing at an equal or higher rate of interest for its requirement for the same period of time”. **It has now been decided to permit CPSEs to take decisions on all matters relating to short term cash management, as they would be the best judge of asset-liability mismatch in the short run.**

3) Guidelines dated 25.11.99 had advised CPSEs to invest their surplus funds in the inter bank Call Money Market. On account of volatility of the call money market instrument, there has been a general policy shift towards making the call money market a purely inter bank market with the gradual phasing out of non bank participation. **Therefore, it has now been decided not to allow CPSEs to invest their surplus funds in the Call Money Market.**

4) Necessary instructions may be issued for strict compliance of these guidelines.

(DPE O.M. No. 4(6)/1994-Fin. dated 29/09/2005)