

# **COMMERCIAL CREDIT AND FINANCE PLC**

**Asset and liability management  
policy**

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## 1.Introduction

The purpose of this Asset and Shareholder Investment Control Policy is to establish a framework for the management, protection, and oversight of Commercial Credit and Finance PLC 's assets and shareholder investments. This policy is a direct extract from CCFP Board approved Assets and Liabilities (ALM) policy.

## 2.Version Control

This policy will be reviewed once in every three (3) financial years or in the event of any changes in the regulatory or Environmental requirements. The updates will be recorded in the Version Control.

Version Code	Release Date	Prepared by	Approved by
1.0	xxxxx	Chief Financial Officer	Board of Directors

## 3.Legal Framework

The following legal provisions are applicable.

- The Finance Business act no 42 of 2011 and the directions issued under thereon.
- Directions issued by the CBSL, in Foreign Currency Borrowings Direction No. 4 of 2021 and Debt Instruments Direction No. 3 of 2013
- Foreign Exchange Act No. 12 of 2017
- The Financial Transactions Reporting Act, No.6 of 2006
- Prevention of Money Laundering Act, No. 5 of 2006
- Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005
- Sri Lanka deposit insurance scheme regulations, No. 1 of 2010 and amendments.
- CSE Cooperate Governors Listing Rule No. 09
- Any other Applicable CCFP Polices and Procedures

## 4. Scope of the Asset and Liability Management Policy (ALM)

- Servers as a tool for the Board of Directors to discharge responsibilities in ensuring an appropriate risk management framework is in place with regard to

assets and liability management of the Company.

- The ALM policy of the Company enables the strategic and tactical management of the balance sheet required for achieving sustained growth, profitability, solvency and prudential compliance in line with the regulations of the CBSL.
- The ALM policy provides a framework for the Asset and Liability Management Committee (ALCO) with respect to the risk management of assets and liabilities of the company.

## **5. Code of Conduct**

All staff associated with investment activities and borrowings will discharge their respective responsibilities with the highest level of integrity, skill, prudence, and diligence at all times.

## **6. Responsibilities**

- The board of directors are responsible for the formulation, review, and approval of the ALM policy on the recommendations of the Board Integrated Risk Management Committee (BIRMC)
- The ALCO is responsible for the implementation of the policy by prudently managing liquidity, Investments, Local Borrowings, Foreign Currency Denominated borrowings and Deposit Mobilization.
- Foreign currency-denominated loans and the foreign exchange risk will be managed and mitigated in accordance with the policies and procedures approved by the board of directors, provisions of the Foreign Exchange Act, directions of the CBSL and other relevant regulations applicable.
- The ALCO should ensure that the borrowings obtained are used strictly for the purpose(s) stated in the loan agreement and compliance with applicable laws and regulations.
- The Treasury Department shall adhere to the ALM Policy pertaining to

investments and borrowings and report the same to the ALCO.

- The Finance Department is responsible for monitoring transactions on a regular basis thus ensuring that portfolios are maintained in accordance with approved limits.
- The Risk Management department will assess the risk of investment and borrowing activities.

## **7. Assets and Liability Management Committee (ALCO)**

The ALCO committee should be established under the purview of the Board Integrated Risk Management Committee (BIRMC) as a management subcommittee to implement the requirements specified in the ALM policy. The Charter of the ALCO should address the following,

The membership, quorum and approvals of the Committee. Objectives and scope of the committee. Responsibilities and duties of the members and the committee Frequency of meetings and reporting. The effectiveness of the committee should be evaluated by the BIRMC annually. The ALCO will review and monitor the following

- The ALCO will formulate procedures thus ensuring effective operations of the ALM policy.
- Regulatory liquidity requirements and liquidity management including cash flows of the company.
- Treasury investments and Borrowings of the Company including local borrowings and foreign borrowings.
- The mobilization of Fixed deposit and savings in the company.
- Interest cost on borrowings and yields on lending products.
- Maturity mismatches and re-pricing mismatches of the Company's assets and liabilities.

- Consider the cash flows arising from off-balance sheet items when analyzing the maturity profile and cash flows.

## **8. Anti-Money Laundering and Terrorist Financing (AML and TF)**

The ALCO should evaluate the AML and TF risk of the counter-parties/lenders and carry out Due Diligence and KYC screening according to the AML policy and procedure of the company.

## **9. Approval Authority**

The ALM function will be carried out in accordance with the Approval Authority detailed in Annexure 1 (are these in line with the Board approved DA's).

## **10. The Limits and Guidelines for ALM**

The limits and parameters will be incorporated to the board approved risk appetite statement. The ALCO should ensure that the limits are adhered to.

## **11. Investment**

### **11.1 Eligible Investments**

The eligible investments,

- Government Securities, Bonds and Repurchase Agreements (REPOs)
- Deposits with Licensed Commercial Banks
- Unit Trust/ Gilt Edge Unit Trust Funds
- Commercial Papers
- Debentures (quoted)
- Trust Certificates
- Equity Investments.
- Money Market Accounts at Commercial Banks

- **Counter-parties**

- i. **Counter-party Approvals**

The counter-parties will be assessed and recommended by the ALCO to the BIRMC for approval.

- ii. **Counter-party Limits**

- Primary Dealer Limits

Limits for investments in Treasury Bills and Repos.

Category	Limit
Primary Dealers not backed by a Bank	Maximum 5% on total assets or maximum of Rs. 1.5 billion whichever is lower.
Primary dealers backed by a Bank	Maximum 5% on total assets or maximum of Rs. 3 billion whichever is lower.

The Primary Dealer limits can be approved by the BIRMC based on the ALCO recommendation.

The counter-parties should have a minimum rating of above “A” to be assigned as a counter-party for the primary dealing activities.

- **Unit Trust Investments**

In the case of unit trusts investments the counter-party limit would be Rs.400 Million or a maximum of 5% on Unit Trust’s total assets whichever is lower,

The counter-parties should have a minimum “A” rating for eligibility..

- **Investment in Banks**

Placement of funds in Fixed Deposits and Money Market accounts in banks are permitted. The maximum single entity exposure with a bank stands at Rs.3 Billion or 10% of capital of the Bank, whichever is lower, for a Government-owned bank or a private Commercial Bank with a Rating of A and above.

- **Commercial Papers**

The maximum single customer exposure stands at Rs 250 million. The Counter-party should have a minimum credit rating of "A".

- **Debenture**

The maximum single customer exposure stands at Rs 250 million for an Investment in an institution with a minimum credit rating of BBB+.

- **Trust Certificate**

The maximum single customer exposure stands at Rs. 250 million subject to a minimum Credit rating of BBB+.

- **Equity Investments (Shares /Units)**

The maximum limit for investment in shares of listed companies on the stock exchange per institution stands at Rs.50 Million.

Any deviation to the limits stated under 11.2 should be approved by the BIRMC on the recommendation of the ALCO and CRO.) (under the new direction can the CRO recommend)

- **Portfolio Exposure Limits**

Liquidity Requirement should be complied in accordance with CBSL directions relating to the liquidity requirements of the NBF.I.

The following limits are applicable for the investment portfolio.

- **Investments in Government Securities**

Investment in government securities are considered based on the following.

- Statutory requirements
- Maturity of existing securities
- Availability of funds
- Yield to maturity



- **Investment Approvals**

Investments should be approved in accordance with the Approval Authority.

- **Portfolio Valuations**

The investment portfolio will be reported at purchase value and adjustments will be made as per Sri Lanka Accounting Standards. Instruments in Assets Held for Sale (AHS) and Trading portfolios will be marked to market monthly and the result applied as per IFRS standards and CBSL guidelines.

Any investment classification as Held-to-Maturity (HTM) requires Board approval with a joint recommendation by the BIRMC as to prudence and BAC as to compliance with the applicable SLAS.

**End of the document.**