GOVE FINANCE LIMITED

ASSET - LIABILITY MANAGEMENT POLICY

GOVE FINANCE LIMITED

Asset - Liability Management Policy

Version control:

S.N	Board Approval Date	Change Reference/Remarks	Custodian	Approving Authority
1	20.11.2017	Policy on Asset Liability Management approved by the Board	Compliance	Board of Directors
2	20.08.2021	Policy is amended in line with Liquidity Risk Management Framework issued by RBI	Compliance	Board of Directors
3	05.05.2022	Standardized the format	Compliance	Board of Directors
4	13.09.2023	Introduced prudential limits	Compliance	Board of Directors
5	30.03.2024	Amendments to composition of committee	Compliance	Board of Directors

I. OBJECTIVE

To evolve the Asset-Liability Management Policy to comply with the Statutory Guidelines prescribed by the Reserve Bank of India.

II. APPLICABILITY

This policy shall come into effect from the date it is approved by the Board of Directors.

III. RESPONSIBILITY

The Senior Management is responsible for this policy

IV. DEFINITIONS

- **“Liquidity”** means the capacity to fund the increase in assets and meet both expected and unexpected cash and collateral obligations at reasonable cost and without incurring unacceptable losses.

- **“Liquidity Risk”** means inability to meet such obligations as they become due without adversely affecting the financial condition. Effective liquidity risk management helps to ensure ability to meet its obligations as and when they fall due and reduces the probability of an adverse situation developing.

- “**High-Quality Liquid Assets (HQLA)”** means liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios.

- **Liquidity Coverage Ratio (LCR)** is represented by the following ratio:

$$\frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Total Net Cash Outflows over the next 30 days}}$$

- **“Unencumbered”** means free of legal, regulatory, contractual or other restrictions on the ability of the company to liquidate, sell, transfer, or assign the asset.

V. COMPOSITION OF THE ALCO COMMITTEE

Asset-Liability Management Committee (ALCO): The company shall have ALCO committee with MD being the head of committee & the Chiefs of Investment, Credit, and Business Heads as the members of the Committee.

VI. ROLES & RESPONSIBILITIES OF THE COMMITTEE

The roles and responsibilities of the ALCO Committee shall be as per the guidelines prescribed by the Reserve Bank of India.

VII. PERIODICITY OF MEETING:

Members may convene meetings of ALCO periodically or as and when deem fit.

VIII. SCOPE OF THE POLICY

Some of the current regulatory prescriptions applicable to the company on the ALM framework have been recast below,

i) Granular Maturity Buckets and Tolerance Limits

The 1-30 day time bucket in the Statement of Structural Liquidity is segregated into granular buckets of 1-7 days, 8-14 days, and 15-30 days. The net cumulative negative mismatches in the maturity buckets of 1-7 days, 8-14 days, and 15-30 days shall not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets.

According to RBI, the Board has established internal prudential limits across all other time buckets upto 1 year. It is as follows:

BUCKETS	Prudential limits/ Tolerance Limits
Over 1 month and upto 2 months	25%
Over 2 months and upto 3 months	25%
Over 3 months and upto 6 months	30%
Over 6 months and upto 1 year	30%

ii) Liquidity risk monitoring tools

The Company shall adopt liquidity risk monitoring tools/metrics in order to capture strains in liquidity position, if any. Such monitoring tools shall cover a) concentration of funding by counterparty/ instrument/ currency, & availability of unencumbered assets that can be used as collateral for raising funds. The Board of our company shall put in place as necessary internal monitoring mechanism in this regard.

IX. LIQUIDITY COVERAGE RATIO (LCR)

The Company shall maintain a liquidity buffer in terms of LCR which will promote resilience of the company to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days.

The LCR requirement shall be binding on NBFCs from December 1, 2020 with the minimum HQLAs to be held being 50% of the LCR, progressively reaching up to the required level of 100% by December 1, 2024, as per the time-line given below:

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum LCR	50%	60%	70%	85%	100%

X. REVIEW & AMENDMENT

The Committee shall, as and when required, assess the adequacy of this Policy and make any necessary amendments to ensure it remains consistent with the Board's objectives, current law and best practices.

For Gove Finance Limited

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Arun Vellore Surendra
Managing Director
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