



EDC LIMITED

A Government of Goa Undertaking

LIQUIDITY RISK MANAGEMENT POLICY

SUMMARY OF POLICY:

Policy Name	LIQUIDITY RISK MANAGEMENT POLICY
Issue and Effective date	10/07/2024
Periodicity of Review	As decided by the Board of EDC
Owner/Contact	Accounts Department
Approver	Board of Directors (400 th Board meeting dated 10/07/2024)

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Liquidity Risk Management Policy

1. Introduction

This policy outlines the framework for managing liquidity risk. The objective is to ensure that the company can meet its financial obligations as they become due without incurring unacceptable losses.

2. Scope

This policy applies to all departments and units within the company and covers all aspects of liquidity risk management, including identification, measurement, monitoring, and control of liquidity risks.

3. Governance and Oversight

- **Board of Directors:** Responsible for overseeing the liquidity risk management framework and ensuring its effectiveness.
- **Asset-Liability Committee (ALCO):** Charged with implementing the liquidity risk management strategy and policies approved by the Board. The ALCO reviews liquidity risk exposure regularly and reports to the Board.

4. Liquidity Risk Management Framework

- **Identification of Liquidity Risks:** Regular identification and assessment of liquidity risks arising from the company's business activities, including funding and market risks.
- **Cumulative negative mismatch limit shall be NIL for all time buckets.**
- **Measurement and Monitoring:** Use of liquidity ratios, cash flow analysis and other quantitative tools to measure and monitor liquidity risk.
- **Liquidity Coverage Ratio (LCR):**
 - Ensure sufficient high-quality liquid assets to meet short-term obligations.
 - Cash Flow Analysis using time brackets

5. Funding Strategy

- **Diverse Funding Sources:** Ensure access to a diversified mix of funding sources to reduce reliance on any single source.
- **Liquidity Buffer:** Maintain an adequate liquidity buffer of unencumbered, high-quality liquid assets including unutilized Cash Credit limits.

6. Reporting and Disclosure

- **Internal Reporting:** Regular internal reports to ALCO and the Board on the liquidity position, risk exposures, and compliance with risk limits.
- **Regulatory Reporting:** Timely and accurate reporting to regulators as per applicable guidelines.
- **Public Disclosure:** Disclose information on liquidity risk management practices and liquidity position in the company's financial statements and other public disclosures as required by regulations.

7. Review and Audit

- **Regular Reviews:** Periodically review the liquidity risk management policy to ensure its continued relevance and effectiveness.
- **Internal Audit:** The internal audit function will review the implementation and effectiveness of the liquidity risk management framework and report findings to the Board.

8. Training and Awareness

- Provide ongoing training to relevant staff to ensure they understand the importance of liquidity risk management and are equipped to implement the policy effectively.

9. Changes

Any changes in this policy to be done after obtaining due approval of Audit Committee as well as the Board, documenting the reasons for such change.