



PDIC Investment Policy



1. Introduction

The PDIC aims to choose the best way to manage its investment to provide the highest return with in a low and acceptable level of risk, by investing in short and medium term fixed income assets that are issued by sovereign or government issuers, or guaranteed by sovereign entities or governments.

2. General Rules

- As the PDIC guarantees deposits in all member banks, it shall not invest in any member bank.
- The funds in both the commercial and Islamic portfolios are to be invested in securities with short or medium maturities with varying maturities.
- For daily cash management, the PDIC can place surplus cash as short term deposits with the Palestine Monetary Authority (PMA), or with any bank (banks) approved by the Board of Directors.
- The purchased securities must have an Investment Grade credit rating at the date of purchase by one of the globally recognized credit rating companies. Excluding sovereign and government securities, or securities guaranteed by sovereign or government of countries with high credit ratings, and Jordanian Dinar securities issued by the government of the Hashemite Kingdom of Jordan.

3. Investments

3.1. Goals

- Preserving the capital of the PDIC and increasing the return on its reserves.
- Providing enough liquidity when needed reimburse deposits when liquidating a member bank, or if a member bank is unable to meet its obligations to its depositors.
- Start an investment portfolio that provide adequate annual return within a low and acceptable level of risk.
- Diversifying the PDIC sources of income.

3.2. Investment Strategies

The investment strategies shall be based on the instructions of the assets and liabilities committee of the Board, which provides advice to the PDIC's Board of Directors regarding PDIC asset management, in addition to reviewing investment policy and cash management practices periodically, taking in consideration the size of the funds available for investment in both investment funds (Islamic and Commercial portfolios), in addition to analysis of the local, regional and global economic and political environment, and the different characteristics of the investments available.

3.3. Investment Limits

3.3.1. Limits for counterparty exposure must be set after coordinating with PMA.

3.3.2. Limits for transactions with counterparties must be set after coordinating with PMA



- 3.3.3. The limits and ceilings of investments and investment strategies can only be adjusted by the assets and liabilities committee, and these adjustments must be presented Audit and risk committees.
- 3.3.4. The exposure to any single issuer must not exceed 15% of the total portfolio value.
- 3.3.5. The exposure to any single security issue must not exceed 10% of the total portfolio value.
- 3.3.6. The exposure to securities dominated in currencies other than United States Dollar "USD" and/or not pegged to the USD must not exceed 10% of the total portfolio value, if the exposure to such securities exceeded the limit, a written approval must be acquired from the assets and liabilities committee of the board and the increase above the stated limit must be defined.
- 3.3.7. The exposure to any single country of risk or a supranational entity must not exceed 15% of the total portfolio value. The membership of any country in a supranational entity does not add to the exposure of this country.

3.4. Allowed Investments

The PDIC can invest in bonds, sukuk and fixed income securities issued by

- Countries Governments
- Government entities and government development banks.
- Supranational organization and multilateral development banks
- Bonds and sukuk guaranteed by the previously mentioned issuers.

4. Preparation of investment and deposits reports.

PDIC must prepare monthly report to be presented to the Board of Directors, which included, but not limited to the following information:

- Type of Investment
- Investment cost
- Maturity date
- Expected return on the investment

5. Exceptional financing

a. Borrowings

According to law No. 7 of 2013, the PDIC can borrow from the government or any other entity given that it signs an agreement regarding this matter.

b. Financing

According to law No. 7 of 2013, the PDIC can accept any financial grant from any entity approved by the Board of Directors.

6. Bank Accounts

6.1. Opening and closure of PDIC's bank accounts must be approved by the Board of Directors based on recommendations by the General Manager. The process of choosing a bank should take in consideration the following:

- Reputation: The bank must have an outstanding financial position and solid management.
- Ease: it should be easy to reach to the bank and its branches, and to request banking services.



PDIC must at least have two bank accounts with the PMA, one for commercial banks and the other for Islamic banks.

6.2. The party responsible for approving banking operations

PDIC's board of directors shall assign a list of signatories to administrate investment bank accounts, and the list is updated and amended by a board of directors' resolution.

7. Short term deposits policy

- Regarding daily cash management, PDIC can place extra cash as daily deposits in any member bank for the purpose of:
 1. Limit unused cash
 2. Reimbursing depositors/ creditors
- Short term deposits can be on the form of term deposits placed in the accounts related to commercial banks, or investment bank accounts, or deposits in the Islamic bank accounts.
- As these deposits are aimed for cash management purposes, the term of the deposits should not exceed one month.

8. Review

This policy should be reviewed annually by the Asset and Liabilities committee to make sure it fits with the PDIC strategies.

9. Implementation

This policy have been approved by the Board of Directors in their meeting No. 2/2015 dated 18/05/2015

10. Amendments

This policy have been amended as recommended by the investment committee in their meeting No. 1/2017 dated 24/07/2017, and was approved by the board of directors in their third meeting for the year 2017 dated 25/07/2017.

