

September 20, 2007

CEOs of all
Primary (Urban) Co-operative Banks

Dear Sir /Madam,

Treatment of deposits with DCCB/SCBs as SLR

Please refer to the provisions of Section 24 of Banking Regulation Act, 1949 (AACS) in terms of which the deposits placed by UCBs with the higher financing agencies in the cooperative sector, viz. DCCBs / SCBs would be reckoned as SLR assets to the extent that they were not encumbered. However, instances have come to light where some UCBs were availing loans from the DCCB/SCB concerned without specifically earmarking their liability against their deposits and therefore technically the entire deposits were being treated as eligible SLR asset. The lender bank (DCCB/SCB) can exercise its lien over the deposits of UCBs which have availed loans, in case of defaults. As such, the deposits may not be available to the UCBs to meet their liquidity needs. It has, therefore, been decided that when a UCB has availed a loan from a DCCB/SCB with which it is maintaining deposits, the amount of loan availed from the DCCB/SCB, would be deducted from the deposits irrespective of whether lien has been marked on such deposits or not, for the purpose of computation of SLR.

2. UCBs are given a period of six months to comply with the SLR requirements in case of shortfall, if any, arising from the above instructions.
3. Please acknowledge receipt to the Regional Office concerned.

Yours faithfully,

(N.S.Vishwanathan)
Chief General Manager-in-Charge