

RBI/2007-2008/96

UBD. PCB.Cir. No.7/ 13.05.000/07-08

July 13, 2007

The Chief Executive Officers of
All Primary (urban) Co-operative Banks

Dear Sir/Madam

Bank Finance against Shares and Debentures- UCBs.

Please refer to the instructions contained in para 2 (i) of our circular UBD.No.DS.PCB.Cir.10 /13.05.00/98-99 dated November 27, 1998 on the captioned subject wherein banks have been advised, *inter alia*, not to consider any proposal for grant of advances against shares/debentures for trading or for granting advances to share and stock brokers. In this connection, it is clarified as under:

(i) UCBs are prohibited from extending any fund based or non fund based credit facilities whether secured or unsecured to stockbrokers. The prohibition would thus cover in addition to shares and debentures, loans and advances against other securities, such as fixed deposits, LIC policies etc.

(ii) UCBs are not permitted to extend any facility to commodity brokers. This would include issue of guarantees on their behalf.

(iii) Advances against units of mutual funds can be extended only to individuals as in the case of advances against the security of shares, debentures and bonds.

2. Any credit facility presently in force, but not in consonance with the above instructions should be withdrawn /closed without any delay. A compliance report in this regard may be submitted to our Regional Office concerned.

3. Please acknowledge receipt to the Regional Office concerned of Reserve Bank.

Yours faithfully,

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