

**Investments in Govt. and other approved
Securities by urban co-operative banks**

UBD.No.BR. 47 /16-26-00 / 2001-02

June 7, 2002

The Chief Executive Officers of
All Primary (Urban) Co-op. Banks

Dear Sir,

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Securities by urban co-operative banks**

In terms of Circular UBD.No.BR.CIR.42/16.26.00/2001 dated 19 April 2001, read with Circular UBD.No.BR.6/16.26.00/2001 dated 9 August 2001, all the Scheduled and Non-Scheduled urban co-operative banks (UCBS) with NDTL of Rs.25 crore and above were advised to maintain investments in Government securities only in SGL Accounts with Reserve Bank of India or in Constituent SGL Accounts of scheduled commercial banks, state co-operative banks and depositories and Stock Holding Corporation of India. Non-Scheduled UCBs with NDTL of less than Rs.25 crore were, however, allowed to maintain Government Securities in physical form.

2. In the light of recent fraudulent transactions in the guise of Government securities transactions in physical format by a few co-operative banks with the help of some broker entities, the position has been reviewed and it is advised as under:

- (i) All purchase / sale transactions in Government securities by the primary (urban) co-operative banks should necessarily be through SGL account (with RBI) or constituent SGL account (with a scheduled commercial bank / State Co-operative Bank / Primary Dealer / Stock Holding Corporation of India) or in a dematerialised account with depositories (NSDL/CDSL/NSCCL), with immediate effect.
- (ii) No further transactions in Government securities by a primary (urban) co-operative bank should be undertaken in physical form with any broker, with immediate effect.
- (iii) The banks having genuine difficulties in complying with the above requirement may approach the concerned Regional Office of this Department seeking extension of time for the purpose.
- (iv) Only one constituent SGL (CSGL) or dematerialised account should be opened by an urban co-operative bank.

- (v) In case the CSGL account is opened with a scheduled commercial bank or State Co-operative bank, the account holder should open a designated funds account (for all CSGL related transactions) with the same bank.
- (vi) In case a CSGL account is opened with any of the non-banking institutions indicated above, the particulars of the designated funds account (with a bank) should be intimated to that institution.
- (vii) The entities maintaining the CSGL / designated funds accounts are required to ensure availability of clear funds in the designated funds accounts for purchases and of sufficient securities in the CSGL account for sales before putting through the transactions.

3. The primary (urban) co-operative banks are advised to indicate the date by which they would be able to convert their existing stock of Government securities into SGL / CSGL / demat holding with the entities mentioned at paragraph 2(i) above. The progress of dematerialisation as on September 30, 2002 should be advised to the Regional Offices of this Department latest by 15th October, 2002.

4. The primary (urban) co-operative banks may seek the guidance of Primary Dealers' Association of India / Fixed Income and Money Market Dealers' Association on investment in Government securities.

Please acknowledge receipt of this circular to our Regional Office.

Yours faithfully,
Sd/-
(K.V. Rajan)
Chief General Manager