

Loans and advances to directors, relatives and firms / concerns in which they are interested

BPD.Cir.54 /13.05.00/2002-03

June 24, 2003

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

Dear Sir / Madam,

**Loans and advances to directors, relatives
and firms / concerns in which they are interested**

Please refer to our Circular No. UBD.No. BPD.Cir.50/13.05.00/2002-03 dated April 29, 2003, in terms of which Primary (urban) Co-operative Banks (UCBs) are not permitted to extend any loans and advances (both secured and unsecured) to the directors, their relatives and the firms / concerns / companies in which they are interested, with immediate effect. The UCBs were advised therein that the existing advances extended prior to April 29, 2003 might be allowed to continue upto the date when they were due and that the advances should not be renewed or extended further.

2. The above decision was as per the recommendation of the Joint Parliamentary Committee (JPC) on stock market scam and matters relating thereto. In paragraph 5.66 (iii) of its report, the JPC had recommended that “full ban on granting of loans and advances to the directors and their relatives or the concerns in which they are interested needs to be imposed.”

3. Keeping in view the representations received by RBI to provide some more time, we advise that the instructions contained in our aforesaid circular of April 29, 2003 would become effective from October 1, 2003 (and not from April 29, 2003 as advised in the circular referred above).

4. Please acknowledge receipt of the circular to the concerned Regional Office.

Yours faithfully,

(K. V. Rajan)
Chief General Manager