

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

Dear Sir/Madam,

Section 42(1) of Reserve Bank of India Act 1934-  
Maintenance of Cash Reserve Ratio (CRR) by  
Scheduled Primary (Urban) Co-operative Banks

Please refer to our Circular UBD. BP.Cir 10/16.11.00/02-03 dated April 29, 2003 on the above subject, in terms of which scheduled primary (urban) co-operative banks are required to maintain an average CRR of 4.5% of their NDTL. On a review of current liquidity conditions, it has been decided to increase CRR of scheduled primary (urban) co-operative banks by one-half of one percentage point of their net Demand and Time Liabilities (NDTL) in two stages, effective from fortnights as indicated below:

<b>Effective date (i.e. the fortnight beginning from)</b>	<b>CRR on net demand and time liabilities (per cent)</b>
September 18, 2004	4.75
October 2, 2004	5.0

However, the effective CRR maintained by scheduled primary (urban) co-operative Banks on total demand and time liabilities shall not be less than 3.00 per cent, as stipulated under the Reserve Bank of India Act, 1934.

2. A copy of the relative notification UBD.No.BP/1/16.11.00/04-05 September 13, 2004 is enclosed.

**3. Interest on cash balances maintained with Reserve Bank of India under Cash Reserve Ratio**

At present, scheduled primary (urban) co-operative banks are paid interest at the Bank Rate on eligible cash balances maintained with Reserve Bank under proviso to Section 42 (1) and 42 (1A) of the Reserve Bank of India Act, 1934. It has now been decided that with effect from fortnight beginning September 18, 2004, the scheduled primary (urban) co-operative banks will be paid interest at the rate of 3.5 per cent per annum on eligible cash balances maintained with the Reserve Bank of India under CRR requirement.

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

Yours faithfully,

(N.S.Vishwanathan)  
Chief General Manager  
Encls:As above

UBD.No.BP/ 1/16.11.00/04-05

September 13, 2004  
Bhadra 20, 1926

#### **NOTIFICATION**

In exercise of the powers conferred by the proviso to Sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934) and in supersession of its Notification UBD.No.BP.23/16.11.00/02-03 dated April 29, 2003, the Reserve Bank of India hereby specifies that the average Cash Reserve Ratio (CRR) required to be maintained by scheduled primary (urban) co-operative banks shall, from effective dates mentioned below, be at the percentage points as indicated there against.

<b>Effective date (i.e. the fortnight beginning from)</b>	<b>CRR on net demand and time liabilities (per cent)</b>
September 18, 2004	4.75
October 2, 2004	5.0

However, the effective CRR maintained by scheduled primary (urban) co-operative banks on total demand and time liabilities shall not be less than 3.00 per cent, as stipulated under the Act, *ibid*.

**(Usha Thorat)**  
**Executive Director**