

August 4, 2005

All State and District Central Co-operative Banks

Dear Sir,

**Investment portfolio of banks- non-SLR investments**

Please refer to our circulars RPCD.No.BC. 46/07.02.03-94/95 dated October 6, 1994, RPCD.RF.BC.No 62/07.02.03/2002-03 dated January 20, 2003 and RPCD.CO.RF.BC 65/07.02.03/2003-04 dated February 23, 2004 on the above subject.

2. As per the extant instructions, banks are allowed to invest in non-SLR securities with prior approval of RBI as under:

- a) bonds of public sector undertakings
- b) bonds/equity of All India Financial Institutions (AFIs)

The total investment in (a) and (b) above should not exceed 10 per cent of the bank's total deposits as on March 31 of the previous year, with a sub-ceiling of 5 per cent for investments covered under (a).

3. On a review, it has been decided to allow the banks to invest their genuine surplus funds in non-SLR securities without taking prior approval from Reserve Bank of India on case-to-case basis, subject to the following conditions:

- a) The bank should comply with Non Overdue Cover (NODC) discipline stipulated by NABARD;
- b) All legitimate credit needs of the co-operatives in the State/District should have been fully met;
- c) There should be no defaults in repayment of dues to NABARD and in the maintenance of the stipulated CRR and SLR;
- d) There should exist a provision for the proposed investment in the State Act and the Registrar of Co-operative Societies should have no objection for the banks making such investment;
- e) The bank should comply with the Section 11(1) of the B.R.Act, 1949 (AACS); and
- f) The bank is not placed under Directions under Section 35 A of the B.R.Act, 1949 (AACS) or issued a show cause notice under any Section of the B.R.Act, 1949 (AACS).

[Note: However, the bank should keep the concerned Regional Office of RBI apprised of the non-SLR investment, in question.]

4. The banks, which do not comply with the above conditions, have to obtain prior approval from RBI for non-SLR investment on case-to-case basis as hitherto.
5. The contents of this circular may be placed before the Board of your bank.
6. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

**(K.Bhattacharya)**  
**General Manager**