

RBI/2005-06/102
UBD.PCB. Cir.No.9/13.05.00/05-06

August 9, 2005.

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

Dear Sir /Madam,

Risk Weight for Capital Market Exposure-UCBs

As you are aware, as part of capital market exposure, UCBs are permitted to extend loans against the primary / collateral security of shares/ debentures upto Rs. 5 lakh if the security is in physical form and upto Rs. 10 lakh if the security is in demat form. Further UCBs can invest in equities of all India Financial Institutions (AIFIs) and units of Unit Trust of India.

2. In terms of our circular UBD.POT.PCB.Cir.No.45 /09.116.00/2000-01 dated 25.04.2001 on application of capital adequacy norms, the risk weight for loan against the shares/debentures is 100 % whereas the risk weight for capital market exposure (other investments) is 102.5 %.

3. It has now been decided to increase the risk weight for loans extended against primary / collateral security of shares/ debentures to 125 % and that of investment in equities of AIFIs/units of UTI to 127.5 % from the present level of 100 % and 102.5 %, respectively.

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

Yours faithfully

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