

RBI/2005-06/302

UBD(PCB).Cir.No.31 /16.26.00/2005-06

February 17, 2006

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

Dear Sir /Madam

Banking Regulation Act 1949 (AACS)- Investments in Government and other approved securities by UCBs - Exemption under Section 24A

Please refer to our circular UBD.No.BR.Cir/42/16.26.00/200-01 dated April 19, 2001 on the above subject advising Primary (Urban) Co-operative Banks (UCBs) to maintain a certain percentage of assets under section 24 of the Banking Regulation Act, 1949 (AACS) in the form of Government and other approved securities.

2. It has been represented by UCBs and their Federations that many UCBs are facing difficulties in making investments in government securities due to lack of access to the government securities market or necessary expertise in the matter. Taking this into consideration, it has been decided that limited exemption from the requirement could be granted to a class of UCBs. Accordingly, the non-scheduled primary (urban) co-operative banks, having single branch-cum-head-office or having multiple branches within a single district, having a deposit base of Rs.100 crore or less would be exempted from maintaining SLR in prescribed assets upto 15% of their DTL on keeping the required amount, in interest bearing deposits, with State Bank of India and its subsidiary banks and the public sector banks including Industrial Development Bank of India Ltd.

3. For the purpose of eligibility for exemption, deposit base of UCBs will be determined on the basis of fortnightly average of the DTL in the immediate preceding financial year.

4. The exemption will be applicable with immediate effect in respect of above categories of UCBs and shall be in force upto March 31, 2008. During this period UCBs should build up adequate infrastructure, risk management practices including human resource and technological up-gradation so as to reduce market related risk.

5. A copy of the notification UBD.PCB.6657/16.26.000/05-06 dated December 26, 2005 published in Part III Section 4 of the Gazette of India (Extraordinary) dated December 31, 2005 is enclosed.

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

Yours faithfully,

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