



RESERVE BANK OF INDIA

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UBD (PCB) BPD Cir No: 47 /16.20.000/2008-09

January 30, 2009

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

Dear Sir/Madam,

**Placement of deposits with other banks by primary (urban) cooperative banks (UCBs)**

Please refer to the guidelines contained in our circular UBD BPD PCB Cir 14/16.20.00/2007-08 dated September 18, 2007 and BPD PCB Cir 46/ 16.20.00/2002-03 dated May 17, 2003 on the captioned subject.

2. On the basis of representations received from banks and their Federations, the existing guidelines were reviewed. The revised guidelines on the subject are as under:

**i) Prudential inter-bank (gross) exposure limit**

The total amount of deposits placed by an UCB with other banks (inter-bank) **for all purposes** including call money/ notice money, and deposits, if any, placed for availing clearing facility, CSGL facility, currency chest facility, remittance facility and non-fund based facilities like Bank Guarantee (BG), Letter of Credit (LC), etc shall not exceed 20% of its total deposit liabilities as on March 31 of the previous year. The balances held in deposit accounts with commercial banks and in permitted scheduled UCBs and investments in Certificate of Deposits issued by commercial banks, being inter bank exposures, will be included in this 20% limit.

**ii) Prudential inter-bank counter party limit**

Within the prudential inter-bank (gross) exposure limit, deposits with any single bank should not exceed 5 % of the depositing bank's total deposit liabilities as on March 31, of the previous year.

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### iii) Exemptions from the prudential limit

As per the extant policy, non-scheduled UCBs in Tier I have been exempted from maintaining SLR in Government and other approved securities up to 15% of their NDTL provided the amount is held in interest bearing deposits with the Public Sector Banks and IDBI bank Ltd. These deposits are exempted from the prudential limit on inter-bank exposure limits [Paragraph 2 (i) & (ii)].

The balances maintained by UCBs with the Central Cooperative Bank of the district concerned or with the State Cooperative Bank of the State concerned are treated as SLR under the provisions of Section 24 of the Banking Regulation Act, 1949(AACS). These deposits are exempted from the prudential limit on inter-bank exposure limits [Paragraph 2 (i) & (ii)].

3. The placement of deposits by non-scheduled UCBs with scheduled UCBs would continue to be as per the guidelines issued vide our circular BPD PCB Cir 46/16.20.00/2002-03 dated May 17, 2003. However, the amount of deposits placed by a non-scheduled UCB with any scheduled UCB should not exceed 5% of the depositing bank's total deposit liabilities as on March 31 of previous year. The total inter-UCB deposits accepted by a scheduled UCB should not exceed 10% of its total deposit liabilities as on 31st March of the previous financial year as hither to.

4. Keeping in view the above prudential limits, UCBs may formulate a policy taking into account their funds position, liquidity and other needs for placement of deposits with other banks, the cost of funds, expected rate of return and interest margin on such deposits, the counter party risk, etc and place it before their Board of Director. The Board should review the position at least at half yearly interval.

5. The guidelines on investments in non-SLR securities by UCBs are being issued separately.

Yours faithfully,

(A.K. Khound)  
Chief General Manager- in-Charge

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