

Master Circular
Cash Reserve Ratio (CRR) & Statutory Liquidity Ratio (SLR)

Computation of Demand & Time Liabilities for CRR and SLR

**[Applicable to Non-Scheduled Primary (Urban) Co-operative Banks for
CRR and all Primary (Urban) Co-operative Banks for SLR purposes]
[Vide paragraph 4.1]**

1. Definition of various terms

(Vide Explanation to Section 18(1) read with Section 56 of the Banking Regulation Act, 1949)

(i) “Average Daily Balance”

(a) It shall mean the average of the balances held at the close of business on each day of a fortnight.

(ii) “Fortnight”

(b) It shall mean the period from Saturday to second following Friday, both days inclusive.

2. ‘Banking System’ comprises of -

- (i) State Bank of India
- (ii) Subsidiary banks of State Bank of India
- (iii) Nationalised Banks
- (iv) Regional Rural Banks
- (v) Banking Companies as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949. These include -
 - Private Sector Banks
 - Foreign Banks

Note: Foreign banks having no branch in India are not part of ‘banking system’.

(vi) Any other financial institution ‘notified’ by the Central Government in this behalf.

3. ‘Banking System’ does not include the following –

- (i) EXIM Bank
- (ii) NABARD
- (iii) SIDBI
- (iv) IFCI
- (v) IIBI

4. Liabilities do not include -

- (i) Paid-up capital
- (ii) Reserves
- (iii) Credit balance in Profit & Loss Account
- (iv) Loans from RBI, EXIM Bank, NABARD, SIDBI, NHB, I I B I.

5. Net Liabilities

While computing liabilities for the purpose of CRR and SLR, the **net liabilities** of the bank to other banks in India **in the 'banking system' shall be reckoned**, i.e., assets in India with other banks in the 'banking system' will be reduced from total liabilities to the 'banking system'.

6. Liabilities to the 'Banking System' include -

- (i) Deposits of the banks.
- (ii) Borrowings from Banks (Call Money/Notice deposits).
- (iii) Other miscellaneous items of liabilities to the Banks like Participation Certificates issued to banks, interest accrued on bank deposits, etc.

7. Classification of Liabilities to the 'Banking System'

(i) Liabilities of the bank to the 'banking system' are classified into two broad categories viz. 'Demand Liabilities' and 'Time Liabilities'.

(ii) 'Demand Liabilities' to the 'banking system' are further classified as under:

(a) Balances in current accounts of –

- SBI
- SBI Subsidiary Banks
- Nationalised Banks

(b) Other demand liabilities comprising of -

1) Balances in current accounts of -

- RRB
- Banking Companies i.e. Private Sector Banks and Foreign Banks
- Other 'Notified' financial institutions

2) Balances of overdue time deposits of above named banks.

3) Participation Certificates payable on demand issued to banks.

4) Interest accrued on deposits of banks (RRBs).*

5) Call Money Borrowings from the banks.

Within the definition of 'banking system'

(iii) Time liabilities to the 'banking system' include -

- | | | |
|-----|--|------------------|
| (a) | All types of time deposits from the banks | |
| (b) | Certificates of deposits from the banks | Within the |
| (c) | Participation Certificates issued to banks which are not payable on demand | definition of |
| (d) | Interest accrued on time deposits/CDs of banks * | 'banking system' |

* If it is not possible to classify/segregate this amount from interest accrued on deposits, the aggregate interest accrued may be shown under 'Other Demand and Time Liabilities' in Form I & VIII.

8. Assets with the 'Banking System'

(i) Balances with 'banking system' in current accounts –

- SBI
- SBI subsidiaries
- Nationalised banks
- Banking Companies i.e. Private Sector Banks and Foreign Banks
- Other Notified Financial Institutions

(ii) Balances with above referred banks and notified financial institutions in other accounts.

(iii) Money at call and short notice upto 14 days lent to the above referred banks and notified financial institutions.

(iv) Loans other than money at call and short notice made available to the 'banking system'.

(v) Any other amounts due from the 'banking system', like amount held by the bank with other banks (in transit or other accounts) under inter-bank remittance facility, etc.

9. (i) Lending by the bank to the following financial institutions in the term money market cannot be reckoned as assets with the 'Banking System'. Hence, these borrowings cannot be netted against the liabilities towards the 'Banking System'.

- EXIM Bank
- NABARD
- SIDBI
- IFCI
- IIBI

(ii) The borrowing of the bank other than refinance from these financial institutions should form part of liabilities to others and therefore, form part of net demand and time liabilities for the purpose of reserve requirements.

10. Deposits kept with SIDBI/NABARD for shortfalls in attaining priority sector targets should not be shown as assets with Banking System and such deposits cannot be

netted in arriving at net DTL for the purpose of CRR and SLR requirements. The amount kept with SIDBI/NABARD may be shown by way of a footnote in Form I and Form VIII with an explanatory note.

11. Classification of Certain items under Liabilities

(i) Inter-Branch Accounts

- (a) Net balance in inter-branch account, when in credit, is to be shown under 'Other Liabilities and Provisions' which is included in total Demand and Time Liabilities for CRR and SLR purpose.
- (b) After 27.07.98, the bank should segregate the credit entries outstanding for more than five years in inter-branch account as 'Blocked Account' and show it under 'Others' under 'Other Liabilities and Provisions'. Thereafter, while arriving at net amount of inter-branch transactions for inclusion under 'Other Liabilities and Provisions' if in credit, or 'Other Assets' if in debit, the aggregate amount of 'Blocked Account' should be excluded and only the amount representing the remaining credit entries should be netted against debit entries. Thus, the balance in the 'Blocked Account' will be reckoned for the purpose of maintenance of CRR and SLR, even though the net of inter-branch entries is a debit balance.

(ii) Margin Money on Bills Discounted/Purchased

The bank should follow uniform procedure in treating margin money on bills purchased/discounted as outside liabilities and should include it in other demand and time liabilities for the purpose of maintenance of reserve requirements.

(iii) Interest Accrued on Deposits

- (a) The interest accrued on all deposit accounts (such as, savings, fixed, recurring, cash certificates, reinvestment plans, etc.), by whatever name called, should be treated by the bank as its liability for the purpose of maintaining CRR and SLR irrespective of whether the accrued interest has become actually payable or is not payable till due dates for repayment of deposits.
- (b) The interest accrued on deposits should be classified under 'Other Demand and Time Liabilities' in the Form I & VIII.

12. Amount not to be treated as Outside Liabilities for CRR and SLR

- (i) Claim amounts received from the DICGC in respect of guarantees invoked, pending their adjustment towards the relative advances.
- (ii) Amounts received from the Court Receiver.

(iii) Amounts received from Insurance Company on ad-hoc settlement of claims pending the judgement of the Court.

(iv) Amounts received from ECGC on invocation of guarantees, pending their set-off against the relative advances.
