

Credit Control and other Measures August 2001

Selected circulars issued by the Reserve Bank of India during August 2001 are reproduced below.

Ref.No.UBD.BR. 6/16.26.00/2000-2001 dated August 9, 2001

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

Banking Regulation Act, 1949 (AACS) Section 24 - Investment in Government and Other approved securities by Urban Cooperative Banks (UCBs)

Please refer to para 4 of our circular UBD. No. BR.42/16.26.00/2000-01 dated April 19, 2001 on the captioned subject in terms of which all scheduled and non-scheduled urban co-operative banks with NDTL of Rs. 25 crore and above are required to maintain investments in government securities only in SGL accounts with Reserve Bank of India or in constituent SGL accounts of public sector banks and Primary Dealers (PDs). On a review, it has now been decided that besides public sector banks and PDs, UCBs may also hold securities in constituent SGL accounts maintained by other scheduled commercial banks, State Cooperative Banks, Depositories and Stock Holding Corporation of India Ltd.

All other terms and conditions contained in our above circular will remain unchanged.

Ref.No.UBD.BSD.12.05.00/2001-2002 dated August 31, 2001

All Primary (Urban) Co-operative Banks

Issue of Banker's Cheques/Pay Orders/ Demand Drafts by Primary (Urban) Co-operative Banks

Please refer to our circular No. UBD. I & L 2145-J.20/83-84 dated February 17, 1984 advising urban co-operative banks to adopt adequate safeguards for effective regulation and prevention of misuse of the facility of drawals against cheques sent for clearing. The instructions contained in the aforesaid circular do not allow issue of Banker's Cheques/ Pay Orders/Demand Drafts against instruments presented for clearing. Further, issue of Banker's Cheques/Pay Orders/Demand Drafts against instruments presented for clearing amounts to grant of unsecured advances till the proceeds are collected, and, therefore, attracts the provisions of the RBI directives on maximum limit on unsecured advances.

2. Recently, it has come to the notice of the Reserve Bank that some banks had issued Banker's Cheques/Pay Orders for large sums against instruments presented for clearing without realising the proceeds there against. Primary (urban) cooperative banks are cautioned that they **should not** issue Banker's Cheques/Pay Orders/Demand Drafts against instruments presented for clearing unless the proceeds there of are collected and credited to the accounts of the parties concerned. Further,

Banker's Cheques/Pay Orders/Demand Drafts should not be issued by debit to cash credit / overdraft accounts which are already overdrawn beyond the limit sanctioned or likely to be

overdrawn with the issue of such instruments as applied for by the parties.