

**Credit Control and Other Measures
December 2002**

Selected circular issued by the Reserve Bank of India during December 2002 reproduced below:

Ref.No.UBD.DS.PCB.CIR. 28/13.01.00/2002-03 dated December 11, 2002

The Chief Executive Officer

All Primary (Urban) Co-operative Banks

Banding of note packets

Please refer to our circular No. UBD.DS.25/ 13.01.00/2001-02 dated January 9, 2002 regarding dispensing with the practice of stapling of notes and securing note packets with paper bands.

We have been receiving queries from many urban co-operative banks on the nature of banding machines/material to be used for securing the note packets. In this connection, we advise that various types of banding machines are available in the market. The banks may purchase these machines after satisfying themselves about the performance of the machine and without insisting on RBI's approval as RBI does not follow the practice of approving any machine. However, the band may be of paper/polymer of about 2.5 cm width. The width of the band prescribed above is only indicative. You may please, use the paper/polymer band of the appropriate width as may be convenient to all concerned.

Ref.No.UBD.Ret. 8/16.11.00/2002-03 dated December 27, 2002

All Scheduled Primary (Urban) Co-operative Banks

Section 42 (I) of the RBI Act, 1934-Relaxation in Daily Minimum Cash Reserve Maintenance -Requirement

Please refer to paragraph 2 of circular No. UBD.BR.6/16.11.00/2002-03 dated October 29, 2002 on the captioned subject.

2. As mentioned therein, presently banks are required to maintain a minimum of 80 per cent of required CRR amount on a daily basis during a fortnight, which is applicable on all the days of the reporting fortnight. With a view to providing flexibility to banks in choosing an optimum strategy of holding reserve depending upon their intra-period cash flows, it has been decided to reduce the present requirement of minimum of 80 per cent of the CRR balances to be maintained to 70 per cent with effect from the fortnight beginning December 28, 2002. Ref.No.MPD.226/07.01.279/2002-03 dated December 11, 2002.

All Scheduled Commercial Banks (excluding Regional Rural Banks)

Reliance on Call/Notice Money Market: Prudential Norm

Please refer to MPD circular no. 217/ 07.01.279/2001-02 dated June 27, 2002 wherein prudential limits on the exposure of commercial banks in call/notice money market were stipulated in two stages. The first stage of prudential limits on the exposure of commercial banks in call/notice money market has commenced from October 5, 2002.

2. It was proposed to convene a meeting of the representatives of select banks in the second half of November 2002 to review money market developments. Accordingly, a meeting with select banks was held on November 30, 2002 wherein a consensus emerged that the banks would be able to make a smooth transition to the second stage of prudential limits, scheduled to commence from the fortnight beginning December 14, 2002.

3. The second stage of stipulation of prudential limits on the exposure of commercial banks in call/ notice money market would commence from December 14, 2002. Accordingly:

? In the second stage, with effect from the fortnight beginning December 14, 2002, lending of scheduled commercial banks, on a fortnightly average basis, should not exceed 25 per cent of their owned funds; however, banks are allowed to lend a maximum of 50 per cent on any day, during a fortnight. Similarly, borrowings by scheduled commercial banks should not exceed 100 per cent of their owned funds or 2 per cent of aggregate deposits, whichever is higher; however, banks are allowed to borrow a maximum of 125 per cent of their owned funds on any day, during a fortnight.

4. To facilitate monitoring of your operations in call/notice money market on a daily basis, you are requested to continue to submit the daily return in time to the Adviser-in-Charge, MPD, RBI as per the extant practice.