

## *Regulatory and Other Measures*

August 2007

RBI/2007-2008/110 UBD (PCB).No./9/  
12.03.000/2007-08 dated August 1, 2007

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

### Urban Cooperative Banks - Section 42(1) of Reserve Bank of India Act, 1934-Maintenance of Cash Reserve Ratio (CRR)

Please refer to our Circular RBI/2006-07/  
348 UBD (PCB) Cir. No/7./12.03.000/2006-07  
dated April 25, 2007 on the captioned  
subject. On a review of the current liquidity  
situation, it has been decided to increase  
cash reserve ratio (CRR) of Scheduled  
Primary (Urban) Co-operative Banks by 50  
basis points to 7.00 per cent with effect from  
the fortnight beginning August 4, 2007.

2. A copy of the relevant notification UBD  
(PCB) No./9/12.03.000/2007-08 dated July 31,  
2007 is enclosed.

### Notification

In exercise of the powers conferred  
under sub-section (1) of Section 42 of the  
Reserve Bank of India Act, 1934 and in  
partial modification of the notification  
UBD.PCB.7/12.03.000/2006-07 dated April  
24, 2007, the Reserve Bank of India, hereby,  
notifies that every Scheduled Primary  
(Urban) Co-operative bank should maintain  
a Cash Reserve Ratio (CRR) of 7.00 per cent  
of its total demand and time liabilities  
subject to the exemptions as envisaged in  
the notification UBD.PCB.6/12.03.000/2006-  
07 dated April 24, 2007, from the fortnight  
beginning August 4, 2007.

RBI/2007-2008/115 UBD.BPD. (SCB) Cir.No. 1/13.05.000/2007-08 dated August 14, 2007

Chief Executive Officers, All Scheduled Urban Co-operative Banks

### UCBs – Advances to Sugar Industry for holding Buffer Stock

Please find enclosed a copy of the notification dated April 20, 2007 issued by Government of India, Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution on the captioned subject.

2. It may be observed therefrom that Government has decided to create a buffer stock of 20 lakh tons of sugar for a period of one year with effect from May 1, 2007. Under the arrangement, the Government will release subsidy of Rs. 378 crore out of Sugar Development Fund and the banks will have to sanction additional credit limits amounting to Rs. 420 crore to release the margin consequent upon creation of the buffer stock from the existing stocks of sugar. In this connection, it may be noted that no margin is to be kept in respect of buffer stocks of sugar. As advised by Government, the entire amount of Rs. 798 crore will be used exclusively by the sugar mills for payment of cane price to farmers.

3. A copy of Ministry of Consumer Affairs, Food and Public Distribution Notification dated December 6, 2001 setting out guidelines in regard to creation of buffer stock is enclosed for guidance of banks.

4. For operation of the Scheme, it would be necessary for sugar mills to segregate the stocks meant for buffer stock operations from the stock of sugar already held by them.

The banks should allocate out of the regular limits, separate sub-limits representing 100 per cent value of buffer stocks held by sugar mills. The amount released as a result of providing 100 per cent drawings against buffer stocks *i.e.* the amount in lieu of the margin money should be credited to a special account. It would be necessary for the banks to ensure that the amount available in this account is utilized for making cane payments.

5. Directorate of Sugar, Ministry of Consumer Affairs, Food & Public Distribution, New Delhi have, vide their Notification No. 6-5/2007-CC dated April 30, 2007 advised all sugar mills individually of the quantity and quality of sugar stocks to be held by them as buffer stock. It will be in order for the banks to take appropriate action on the strength of such a communication received by the sugar mills. The banks should ensure that no operations on the separate account kept for buffer stocks are allowed and no withdrawals from stocks earmarked as buffer stocks are permitted.

6. Interest on the separate account for buffer stock may be debited to the regular cash credit account.

7. The stocks earmarked as buffer stocks may be valued in the same manner as free-sale stocks.

RBI/2007-2008/124 UBD.CO.LS. Cir. No.10/07.01.000/2007-08 dated August 28, 2007

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

### UCBs – Shifting of Offices

Please refer to our Master circular No.UBD.BL (PCB) MC.No.9/07.01.000/

2004-05 dated September 1, 2004 on Area of Operation, Branch Licensing, opening/Upgradation of Extension Counters, ATMs and Shifting/Splitting/Closure of Offices.

In terms of para 5.2 of the circular, UCBs, other than those unlicensed and categorized as Grade III/IV and not complying with Section 11 (1) of B.R. Act, 1949 (AACS), may shift their place of business, including administrative office, located in the semi-urban areas anywhere within the same town, irrespective of distance vis-à-vis other banks/offices, etc. without prior permission of the Reserve Bank. As regards banks located in urban/metropolitan centres, shifting within the same locality/municipal ward is permitted in respect of banks, other than those unlicensed and categorized as Grade III/IV and not complying with Section 11 (1) of the B.R. Act, 1949 (AACS), without prior permission of the Reserve Bank. But for shifting to a different locality/municipal ward, banks are required to obtain our prior permission.

2. We have been receiving representations to consider granting permission to UCBs to shift their branches from one city to another in their area of operation. It has now been decided to consider requests from UCBs (other than Unit banks) to shift their branches from one city to another in their area of operation within the same State subject to the following conditions:

- i) The new centre is of the same or lower population group as the existing centre e.g. a branch at a 'D' centre can be shifted to another 'D' centre only; and
- ii) A branch located in underbanked district can be shifted to another centre in underbanked district only.
- iii) The shifting should be beneficial to the bank in terms of cost and business.

3. Banks are advised to submit their applications in this regard to the Regional Office of Urban Banks Department in whose jurisdiction the Head Office of the bank is situated.