

Regulatory and Other Measures

RBI/2007-2008/177 Ref: UBD (PCB).No./ 3 /12.03.000/2007-08 dated November 01, 2007

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

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

Please refer to our Circular RBI/2007-08/110 UBD (PCB) Cir. No/9./12.03.000/2007-08 dated July 31, 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 7.50 per cent of their demand and time liabilities with effect from the fortnight beginning November 10, 2007.

2. A copy of the relevant notification UBD (PCB) No./10/12.03.000/2007-08 dated November 01, 2007 is enclosed.

UBD(PCB) No./ 10 / 12.03.000/2007-08
dated November 01, 2007

Notification

In exercise of the powers conferred under the amended sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 and in partial modification of the notification UBD.PCB.9/12.03.000/2007-08 dated July 31, 2007, the Reserve Bank of India, hereby, notifies that every Scheduled Primary (Urban) Co-operative Bank should maintain a Cash Reserve Ratio (CRR) of

7.50 per cent of its demand and time liabilities from the fortnight beginning from November 10, 2007.

RBI/2007-2008/187 UBD (PCB) BPD Cir No: 21/13.01.000/2007-08 dated November 15, 2007

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

Deposit schemes with lock-in period

It has been brought to notice of the Reserve Bank that some banks are offering special term deposit products to customers, in addition to regular term deposits, ranging from 300 days to five years, with the following features:

- i. Lock-in periods ranging from 6 to 12 months;
 - ii. Premature withdrawal is not permitted during the lock-in period. In case premature withdrawal is allowed during the lock-in period, no interest is paid;
 - iii. Rates of interest offered on these deposits are not in tune with the rates of interest on normal deposits and
 - iv. Part pre-payment is allowed by some banks subject to certain conditions.
2. In this connection, a reference is invited to paragraph 17.1 (i) of Master Circular UBD No. BPD.MC.No.1/13.01.000/2007-08 dated July 2, 2007 on 'Interest Rates on Rupee Deposits

-UCBs' in terms of which, banks were advised not to discriminate in the matter of interest paid on deposits, between one deposit and another, accepted on the same date and for the same maturity, whether such deposits are accepted at the same office or at different offices of the bank, except in respect of fixed deposit schemes specifically for resident Indian senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size, and single term deposits of Rs.15 lakh and above on which varying rates of interest may be permitted on the basis of size of the deposits.

3. Before launching new domestic deposit mobilization schemes with the approval of their respective Boards, they should ensure that the provisions of RBI directives on interest rates on deposits, premature withdrawal of term deposits, sanction of loans/advances against term deposits, *etc.*, issued from time to time, are strictly adhered to. Any violation in this regard will be viewed seriously and may attract penalty under the Banking Regulation Act, 1949 (AACS).
4. It is clarified that the special schemes, with lock-in periods and other features referred to at paragraph 1 above, which have been floated by some banks, are not in conformity with our instructions. Banks that have floated such deposit schemes are, therefore, advised to discontinue the schemes with immediate effect and report compliance to Regional Office concerned of Reserve Bank.

RBI/2007/-2008194 UBD.PCB.Cir.No. 22/
13.05.000/07-08 dated November 26, 2007

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

Gold Loan Payment- UCBs

Please refer to paragraphs 2.2.8 and 2.1.3
of the Master Circular UBD.PCB.MC.No.10
/09.14.000/2006-07 dated July 4, 2007 on
Income Recognition, Asset Classification,
Provisioning & Other Related Matters.

2. We have received representations
from banks and their federations to
permit bullet repayment of gold loans,
especially to the small borrowers. The
matter was examined and it has been
decided to permit bullet repayment of
gold loans up to Rs 1.00 lakh as an
additional option. UCBs are,
therefore, permitted to lay down
policies with the approval of their
Board for sanction of gold loan with
bullet repayment option subject to the
following guidelines:

- (i) The amount of gold loan
sanctioned should not exceed Rs
1.00 lakh at any point of time.
- (ii) The period of the loan shall not
exceed 12 months from the date
of sanction.
- (iii) Interest will be charged to the
account at monthly rests but will
become due for payment along
with principal only at the end of
12 months from the date of
sanction.
- (iv) The bank should prescribe a
minimum margin to be
maintained in case of such loans

and accordingly, fix the loan limit
taking into account the market
value of the security (gold /gold
ornaments), expected price
fluctuations, interest that will
accrue during the tenure of the
loan. *etc.*

- (v) Such loans shall be governed by
the extant income recognition,
asset classification and
provisioning norms which shall
be applicable once the principal
and interest become overdue.
 - (vi) The account would also be
classified as NPA (sub standard
category) even before the due date
of repayment, if the prescribed
margin is not maintained.
3. It is clarified that crop loans
sanctioned against the collateral
security of gold/gold ornaments shall
continue to be governed by the extant
income recognition, asset classifi-
cation and provisioning norms for
such loans.

RBI/2007-08/ 198 UBD.PCB.Cir.No.26 /
09.09.001/ 2007-08
dated November 30, 2007

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

Priority Sector Lending -Revision of Target-UCBs

Please refer to the revised guidelines on
lending to priority sectors, issued vide our
circular UBD.PCB.Cir.No.11/09.09.01/
2007-08 dated August 30, 2007 (available
on www.rbi.org.in)

2. As you may be aware, as per the recommendation of the Standing Advisory Committee for UCBs constituted by Reserve Bank of India in 1983 under the chairmanship of the then Deputy Governor, Dr. M.V. Hate, the target for priority sector advances was made applicable to UCBs. The Standing Advisory Committee had recommended, inter alia, that UCBs should provide 60% of their total advances to priority sectors. This recommendation was later again endorsed by the High Power Committee on UCBs, 1999 (Madhav Rao Committee). The Committee had, in its report, suggested inter alia that there was no need for reduction in the priority sector targets to 40 %, as applicable to commercial banks, on account of lower CRAR for non scheduled UCBs and exemptions available to UCBs from income tax .
3. Since the introduction of priority sector target for UCBs in 1983, the regulatory framework for UCBs has undergone significant changes and it has become more or less comparable with that of commercial banks, specially on CRAR and income recognition, asset classification and provisioning (IRAC) norms. The exemption hitherto enjoyed by UCBs from payment of income tax has also been withdrawn. Further, the justification for a higher target of priority sector advances for UCBs vis a vis commercial banks on the ground of lower statutory preemption of funds by way of CRR and SLR on their NDTL no more holds good in view of the gradual reduction of CRR and SLR requirements for commercial banks over the years.
4. In view of the above and at the request of the UCBs and their Federations, it has been decided to bring down the priority sector lending target for UCBs to 40 % of the adjusted bank credit (ABC) (total loan and advances plus investments made by UCBs in non-SLR bonds) or credit equivalent amount of off balance sheet exposure (OBE), whichever is higher, as on March 31 of the previous year.
5. The revised target shall come into effect from April 1, 2008.
6. All other instructions contained in our revised guidelines forwarded under the cover of our circular UBD.PCB.Cir.No.11/09.09.01/ 2007-08 dated August 30, 2007 remain unchanged.