

All Primary (Urban) Co-operative Banks

Dear Sir,

Finance against shares and debentures by UCBs

Please refer to our circular UBD No. DS.PCB.Cir16/13.05.00/2001-02 dated October 22, 2001 in terms of which UCBs are permitted to grant loans only to individuals against primary/collateral security of shares/debentures upto a limit of Rs.5 lakh if the security is in physical form and upto Rs.10 lakh, if the security is in demat form. Further, it was prescribed that the aggregate of all such loans should be within the overall ceiling of 20 percent of the owned funds of the bank and that a margin of 40 percent should be maintained on all such loans.

2. On review it has been decided to raise the margin on all advances against shares to 50 percent with immediate effect with no change in the quantum of loan that can be granted. The margin of 50 per cent will apply to all fresh advances against shares/debentures. The existing advances issued may continue at the earlier margin until they come up for renewal.

3. In this connection we reiterate that all the other terms and conditions stipulated in our above mentioned circular and circular no. DS. PCB. Cir 10 / 13 .05.00/1998-99 dated November 27, 1998 remain unchanged. UCBs are strictly advised to adhere to the condition (ii) of paragraph 1 of our circular dated October 22, 2001 and ensure that loans against shares are made only to those individuals who are not in any way connected with any stockbroking activity or stock broking entity.

Yours faithfully,

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(K.V. Rajan)

Chief General Manager