

**Investment of funds by Urban Co-operative
Banks as deposits with other institutions and
other Urban Co-operative Banks**

BR. 43 / 16.20.00 /2000-01

April 19, 2001
Chaitra 29,1923(S)

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

Dear Sir,

**Investment of funds by Urban Co-operative
Banks as deposits with other institutions and
other Urban Co-operative Banks**

Urban Co-operative Banks essentially being purveyors of credit to persons with small means, they were advised to desist from parking their funds with other institutions/public sector companies etc. vide circular UBD.No.BR.1866/A.12(19)-87/88 dated 13 June 1988. As parking of funds / keeping deposits by UCBs with other UCBs may pose systemic risk and can affect depositing banks' financials, in the event of any financial problem afflicting the deposit accepting bank, it has been decided to prohibit parking of UCBs' deposits with other UCBs also except for maintaining balances in current accounts for meeting their clearing and remittance requirements. Therefore, they should henceforth not place any fresh deposits with the other UCBs.

2. Such of those UCBs which are maintaining these funds in the form of fixed deposits or term deposits with other UCBs are required to unwind the outstanding deposits with other UCBs before the end of June 2002. The banks should report their position of fixed deposits with other UCBs/ institutions to respective Regional Office under whose jurisdiction they are functioning on quarterly basis as per proforma enclosed. The first of such statement should report the position as on March 31, 2001.

Yours faithfully

Sd/-

[M.M.S. Rekhrao]
Chief General Manager-in-Charge
Enclosure : as above

UCB's investment with other UCBs/Institutions
(Position as on 30/31 March, June, September, December)

Name of the bank:

Sr. No	Nature of deposit/investment	Amount (Rs. in lakh)	Invested/placed with(name of the bank/institution)	Date of Maturity
--------	------------------------------	----------------------	--	------------------

1	2	3	4	5
---	---	---	---	---

CHIEF EXECUTIVE OFFICER