

Reliance on Call/Notice Money Market : Prudential Norm

Ref.No.MPD.BC.225/07.01.279/2002-03

November 14, 2002
Kartika, 1924(S)

To

All Scheduled Commercial banks
(excluding Regional Rural Banks)

Dear Sirs

Reliance on Call/Notice Money Market : Prudential Norm

Please refer to circular No.MPD.217/07.01.279/2001-02 dated June 27, 2002 on the captioned subject.

2. It was indicated therein that the prudential limit stipulated on the exposure of scheduled commercial banks to call/notice money market, benchmarked to owned funds or aggregate deposits, whichever is higher, will become effective in two stages; the first stage being effective from October 5,2002.

3. Some representations have been received regarding the treatment of Reciprocal Line Facilities in call/notice money transactions. Under Reciprocal Line Facility, a foreign bank in India enters into a standing agreement with an Indian bank having branches abroad to draw specified amount of rupee resources from the latter in India against the equivalent amount of foreign currency sanctioned to the Indian bank by the former abroad.

4. In this context, in order to provide greater flexibility in liquidity management by banks, it is clarified that rupee resources drawn under Reciprocal Line Facility by a foreign bank in India is initially exempted for one year from the prudential limits specified for call/notice money transactions. The position will be reviewed after one year.

Kindly acknowledge receipt.

Yours faithfully

(D. Anjaneyulu)
Adviser-in-Charge