

**Reliance on Call/Notice Money Market: Prudential Norm**

**REF:No.MPD.226/ 07.01.279/2002-03**

**December 11, 2002**  
**Agrahayana 20, 1924 (S)**

**To**  
**All Scheduled Commercial Banks**  
**(excluding Regional Rural Banks)**

Dear Sir,

**Reliance on Call/Notice Money Market: Prudential Norm**

Please refer to MPD circular no. 217/07.01.279/2001-02 dated June 27, 2002 wherein prudential limits on the exposure of commercial banks in call/notice money market were stipulated in two stages. The first stage of prudential limits on the exposure of commercial banks in call/notice money market has commenced from October 5, 2002.

2. It was proposed to convene a meeting of the representatives of select banks in the second half of November 2002 to review money market developments. Accordingly, a meeting with select banks was held on November 30, 2002 wherein a consensus emerged that the banks would be able to make a smooth transition to the second stage of prudential limits, scheduled to commence from the fortnight beginning December 14, 2002.

3. The second stage of stipulation of prudential limits on the exposure of commercial banks in call/notice money market would commence from December 14, 2002. Accordingly:

- In the second stage, with effect from the fortnight beginning December 14, 2002, lending of scheduled commercial banks, on a fortnightly average basis, should not exceed 25 per cent of their owned funds; however, banks are allowed to lend a maximum of 50 per cent on any day, during a fortnight. Similarly, borrowings by scheduled commercial banks should not exceed 100 per cent of their owned funds or 2 per cent of aggregate deposits, whichever is higher; however, banks are allowed to borrow a maximum of 125 per cent of their owned funds on any day, during a fortnight.

4. To facilitate monitoring of your operations in call/notice money market on a daily basis, you are requested to continue to submit the daily return in time to the Adviser-in-Charge, MPD, RBI as per the extant practice.

Kindly acknowledge receipt.

Yours faithfully,

**(D. Anjaneyulu)**  
**Adviser-in-Charge**