

**Monetary and Credit Policy 2003- 04 -
Investment Fluctuation Reserve**

DBOD. BP. BC. 105 / 21.01.002/ 2002- 2003

May 7, 2003

All Scheduled Commercial Banks
(excluding RRBs & LABs)

Dear Sir,

**Monetary and Credit Policy 2003- 04 -
Investment Fluctuation Reserve**

Please refer to paragraph 127 of the Statement on "Monetary and Credit Policy for the year 2003-04" enclosed with Governor's letter No. MPD. BC. 230/ 07.01.279/ 2002-03 dated April 29, 2003. As suggested by banks and to give further relaxation in building Investment Fluctuation Reserve (IFR), it has been decided that while IFR would continue to be treated as Tier II capital, it would not be subject to the ceiling of 1.25 per cent of the total risk weighted assets. However, for the purpose of compliance with the capital adequacy norms, Tier II capital including IFR, would be considered up to a maximum of 100 per cent of total Tier I capital. The above treatment would be effective from March 31, 2003 onwards.

Yours faithfully,

**(M. R. Srinivasan)
Chief General Manager-in-Charge**