

Statutory Liquidity Ratio (SLR) under Section 24 of the Banking Regulation Act, 1949

RPCD.CO.No.RF.BC.No.18/07.02.05/2003-04

14 August 2003

ALL REGIONAL RURAL BANKS

Sponsor Banks of RRBs

Dear Sirs,

***Statutory Liquidity Ratio (SLR) under Section 24 of the
Banking Regulation Act, 1949***

Please refer to our circulars RPCD.RF.No.87/07.02.05/2001-02 dated 29 April 2002 and RPCD.No.RF.BC.37/07.02.05/2002-03 dated 29 October 2002 advising Regional Rural Banks to maintain their entire SLR holdings in Government Securities by converting existing deposits with sponsor banks into Government Securities.

2. We have been receiving queries from Regional Rural Banks/Sponsor Banks as to whether other components, viz., Cash in hand and cash balance in Current Account maintained with sponsor banks will qualify for SLR purpose.

3. In this connection we clarify the cash balances continue to qualify for SLR as per the provision of B.R.Act, 1949. However, balances maintained by RRBs in call or fixed deposits with sponsor banks will not be treated as a part of SLR deposits and RRBs were advised to convert the existing call or fixed deposits with Government Securities by March 2003. The SLR deposits of RRBs contracted before 30 April 2002 with sponsor banks and maturing beyond March 2003 would, however, be reckoned for SLR purposes till they mature.

4. Please acknowledge receipt of this circular to our respective Regional Office.

Yours faithfully,

(P.K. Bahinipati)

General Manager.