



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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June 10, 2013

The Chief Executive Officers of  
All Scheduled Primary (Urban) Co-operative Banks

Madam/Dear Sir,

**Ready Forward Contracts in Corporate Debt Securities**

Please refer to paragraph 77 of the Second Quarter Review of Monetary Policy 2012-13 (extract enclosed) and [circular No.IDMD.PCD.1423/14.03.02/2012-13 dated October 30, 2012](#) (copy enclosed) in terms of which it has been decided to permit Scheduled Urban Co-operative Banks with strong financials and sound risk management practices as eligible participants to undertake ready forward contracts in corporate debt securities. Accordingly, Scheduled Urban Co-operative Banks, fulfilling the following conditions only would be permitted to undertake such transactions.

- a) CRAR of 10% or more and gross NPA of less than 5% and continuous record of profits during the previous three years.
- b) Sound risk management practices and mandatory concurrent audit of the Investment portfolio.

2. Further, the Repo transactions in corporate bonds shall be undertaken only with scheduled commercial banks/PDs and not with other market participants. Urban Co-operative Banks which are lenders of funds in a repo transaction may provide for Counter-party credit risk corresponding to the risk weight for such exposure as

..2/-

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**हिंदी आसान है, इसका प्रयोग बढ़ाइए—**

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्ति की जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।  
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applicable to the loan /investment exposure. Urban Co-operative Banks may ensure that securities acquired under repo along with other Non-SLR investment already in the Balance Sheet should be within the stipulated ceiling of Non-SLR investment (i.e. 10% of a bank's total deposits as on March 31 of the previous year). The funds borrowed under repo should be within the limit prescribed for call money borrowing (i.e. 2% of the previous year's deposits).

3. The amount borrowed by the bank through repo shall be reckoned as part of its DTL and the same shall attract CRR /SLR.

4. Urban Co-operative Banks are advised to adhere to the directions as prescribed by Internal Debt Management Department of Reserve Bank of India for repo in corporate bonds from time to time.

Yours faithfully,

(A.K.Bera)  
Principal Chief General Manager

Encl: As above.

## **Extract of paragraph 77 of Second Quarter Review of Monetary Policy 2012-13**

### **Urban Cooperative Banks (UCBs) - Repo in Corporate Bonds**

77. In the SQR of October 2009, the Reserve Bank had announced the introduction of repo in corporate bonds and issued the 'Repo in Corporate Debt Securities (Reserve Bank) Directions, 2010' in January 2010. On the basis of requests received from Federations/Associations of UCBs, it has been decided:

- to include scheduled UCBs with strong financials and sound risk management practices as eligible participants to undertake repo transactions in corporate bonds.