

Master Circular

**CREDIT EXPOSURE NORMS
AND
STATUTORY/OTHER RESTRICTIONS
ON LOANS AND ADVANCES
(Updated up to 30 June 2004)**

(available at RBI website www.rbi.org.in)



RESERVE BANK OF INDIA

Urban Banks Department,

Central Office,

Mumbai.

RBI / 2004-05 / 44
UBD.BPD(PCB).MC.No.2 /13.05.00/2003-04

July 15 , 2004

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

Dear Sir,

Master Circular Credit Exposure Norms and Statutory / Other Restrictions on Loans & Advances

Please refer to our Master Circular UBP.BPD (PCB) MC.No.8/13.05.00/2003-04 dated March 10, 2004 on the captioned subject (available at RBI website www.rbi.org.in). The enclosed Master Circular consolidates and updates all the instructions issued by the Department on the subject till 30 June 2004.

2. Please acknowledge receipt of this Master Circular to the concerned Regional Office of this Department.

Yours faithfully,

(S. Karuppasamy)
Chief General Manager-in-Charge

Encl: As above

Master Circular
**Credit Exposure Norms and Statutory/
Other Restrictions on Loans & Advances**

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Master Circular

Credit Exposure Norms and Statutory/Other Restrictions on Loans & Advances

1. GENERAL

- 1.1 As a prudential measure aimed at better risk management and avoidance of concentration of credit risk, the primary (urban) co-operative banks have been advised to fix limits on their exposure -
- to individual borrowers and group borrowers,
 - to specific sectors, and
 - towards unsecured advances and unsecured guarantees
- 1.2 In addition, these banks are also required to observe certain statutory and regulatory restrictions in respect of :
- (i) advances against shares, debentures and bonds
- (ii) investments in shares, debentures and bonds
- 1.3 Currently operative instructions on all these aspects are detailed in the following paragraphs.

2. CREDIT EXPOSURE NORMS

2.1 Exposure Ceiling on Credit to Individual/Group Borrowers

- 2.1.1 Primary (urban) co-operative banks are required to fix, with the approval of their Board of Directors, an exposure ceiling for **credit exposure** (loans and advances), in relation to bank's **capital funds** so that -
- (i) credit exposure to an **individual** borrower does not exceed **20** per cent of capital funds, and
- (ii) credit exposure to a **group** of borrowers does not exceed **50** per cent of capital funds.
- 2.1.2 The exercise of computing the credit exposure ceilings may be conducted every year after the finalisation and audit of balance sheet of the bank and the credit exposure ceilings may be advised to the loan sanctioning authorities in the bank.

In view of the linking of shareholding to lending, accretion to or reduction in the share capital after the balance sheet date, may be taken into account for determining exposure ceiling at half-yearly intervals, with the approval of their Board of Directors. Accordingly banks may, if they so desire, fix a fresh exposure limit taking into account the amount of share capital available as on 30th September. However, accretion to capital funds other than to share capital, such as half-yearly profit etc., will not be eligible for reckoning the exposure ceiling. Banks should also ensure that they do not take exposures in excess of ceiling prescribed in anticipation of infusion of capital on a future date.

2.2 Definitions

2.2.1 **Capital Funds**

The "Capital Funds" would comprise of -

- (a) Paid up Capital;
- (b) Free Reserves as per the audited accounts.
- (c) the amounts held under the head "Building Fund".

Free reserves will exclude reserves, if any, created out of revaluation of fixed assets, or reserves created to meet outside liabilities, and all reserves/provisions which are created to meet anticipated loan losses, losses on account of frauds etc. and depreciation in investments and other assets, and other outside liabilities. For a fund to be included in the capital fund, the fund/reserve should satisfy the following two criteria:

- (i) the reserve/fund should have been created by appropriation to profit and ;
- (ii) it should be a free reserve i.e. not a specific reserve.

Hence, funds like Centenary Celebration Fund, Dividend Equalisation Fund and Members Uplift Fund etc. should not be included in the capital Fund"

2.2.2 **Credit Exposure (Loans and Advances)**

- (i) Credit exposure **shall include** -
 - (a) **funded** and **non-funded** credit limits and **underwriting** and similar commitments,
 - (b) facilities extended by way of equipment leasing and hire purchase financing, and
 - (c) ad hoc limits sanctioned to the borrowers to meet the contingencies.
- (ii) Credit exposure shall not include loans and advances granted against the security of bank's own term deposits
- (iii) The sanctioned limit or outstanding whichever is higher shall be reckoned for arriving at credit exposure limit.
- (iv) In respect of non-funded credit limit, only 50% of such limit or outstanding, whichever is higher, need be taken into account for the purpose.
- (v) Consortium/Multiple Banking/Syndication
The level of individual bank's share shall be governed by single borrower / group exposure.

2.2.3 **Group**

The decision in regard to definition of a **group** is left to the perception of the banks who are generally aware of the basic constitution of their clientele. The group to which a particular borrowing unit belongs may, therefore, be decided by the banks on the basis of relevant information available with them, **the guiding principle in this regard being commonality of management and effective control.**

2.2.4 The total of the **time and demand liabilities** shall have the same meaning as defined in Section 18 read with Section 56 of the Banking Regulation Act

1949, subject to the modification that 75% of the paid-up capital and reserves of a bank may be added to its time and demand liabilities.

- 2.2.5 All bills of exchange not accompanied by the official receipts of the Indian Railways or Indian Airlines Corporation or Road and Water Transport Operators, as approved by the Board of Directors of the primary co-operative bank, shall be deemed to be **clean bills**.
- 2.2.6 The different firms with one or more common partners engaged in the same line of business, viz. manufacturing, processing, trading activity, etc. shall be deemed to be **connected group** and units coming under common ownership shall be deemed to be a single party.
- 2.2.7 **Unsecured advances** shall include clean overdrafts, loans against personal security, clean bills or Multani hundies purchased or discounted, cheques purchased and drawals allowed against cheques sent for collection but shall exclude:
- (i) advances backed by guarantee of the central or state governments, public sector financial institutions, banks and Deposit Insurance & Credit Guarantee Corporation;
 - (ii) advances against supply bills drawn on the central or state governments or state owned undertakings which are accompanied by duly authorised inspection notes or receipted challans;
 - (iii) advances against trust receipts;
 - (iv) advances against inland D/A bills drawn under letters of credit;
 - (v) advances against inland D/A bills (even where such bills are not drawn under letters of credit) having a usance of not exceeding 90 days;
 - (vi) advances granted to salaried employees against personal security, provided that the Co-operative Societies Act of the State concerned contains an obligatory provision for deduction of periodical loan instalments by the employer out of the employee's salary/wages to meet the bank's claims and provided further that the bank has taken advantages of this provision in respect of each of such advances;
 - (vii) advances against supply bills drawn on private parties of repute and receipted challans of public limited companies and concerns of repute and not outstanding for more than 90 days;
 - (viii) advances against book debts which are not outstanding for more than 90 days;
 - (ix) cheques issued by governments, public corporation and local self governing institutions;
 - (x) advances in the form of packing credit for exports;
 - (xi) demand drafts purchased;
 - (xii) the secured portion of a partly secured advances, and
 - (xiii) advances against legal assignment of contract moneys due, or to become due.
- 2.2.8 **Concerns** in which a director of a primary co-operative bank or his relative is interested shall mean -
- (i) proprietary concerns/ partnership firms (including Hindu Undivided Family concerns and association of persons) in which a director of the bank or his relative is interested as proprietor/partner/co-parcener;

- (ii) private/public limited companies, where a director of the bank is a guarantor for repayment of loans and advances granted to the company.

2.2.9 The **'relative'** of a director of the bank shall mean any relative of a director of the bank as indicated hereunder:

A person shall be, deemed to be relative of another, if and only if, :

- a) they are members of a Hindu Undivided Family; or
- b) they are husband and wife; or
- c) the one is related to the other in the manner indicated below :
 1. Father
 2. Mother(including step-mother)
 3. Son (including step-son)
 4. Son's wife
 5. Daughter (including step-daughter)
 6. Daughter's husband
 7. Brother (including step-brother)
 8. Brother's wife
 9. Sister (including step-sister)
 10. Sister's husband

2.2.10 The words **'any other financial accommodation'** shall include funded and non-funded credit limits and under-writings and similar commitments, as under :

- (i) The funded limits shall include loans and advances by way of bills purchase/discounting, pre-shipment and post-shipment credit facilities and deferred payment guarantee limits extended for any purpose including purchase of capital equipment and acceptance limits in connection therewith sanctioned to borrowers and guarantees by issue of which a bank undertakes financial obligation to enable its constituents to acquire capital assets.
- (ii) The non-funded limits shall include letters of credit, guarantees and under-writings and similar commitments.

2.2.11 In view of the fact that salary earner banks grant advances to salaried employees of a particular institution/group of institutions to which their membership is restricted and deductions are made from the salaries through their employers, the salary earner banks may allow such advances in excess of the limits prescribed above subject to the following conditions:

- (i) The Co-operative Societies Act of the State concerned contains an obligatory provision for deduction of periodical loan instalments by the employer out of employee's salaries/wages to meet bank's claims.
- (ii) The bank has taken advantage of this provision in respect of each of such advance.
- (iii) A general limit for such advances is fixed by the bank in terms of certain multiples of the pay packet taking into account the monthly income of the employees.

2.2.12 The advances granted by primary (urban) co-operative banks, other than salary earners societies, to all salaried borrowers wherein repayment is sought to be ensured through deduction from borrower's salaries as per the provisions of the State Co-operative Societies Act, should be reckoned as secured only for the purpose of computation of total unsecured advances to the members as a whole. While granting advances to the individual salaried

borrowers, the banks should ensure that these advances do not exceed the maximum limit on unsecured advances as indicated in paragraph 3.1 (a).

2.3 Real Estate Sector

Primary (urban) co-operative banks are advised to frame, with the approval of their Board of Directors, comprehensive prudential norms relating to the ceiling on the total amount of real estate loans, keeping in view the Reserve Bank guidelines to ensure that bank credit is used for construction activity and not for activity connected with speculation in real estate.

3. Ceiling on Unsecured Advances

3.1 Ceiling for a single party/connected group

- (a) The maximum limit on unsecured advances (**with sureties**) to a single party/connected group of borrowers will be as under:

Category of Advances	Non scheduled primary(urban) co-operative bank whose DTL is		Scheduled primary(urban) co-operative banks
	Less than Rs. 10 crores	Rs. 10 crores or more	
Classified as Grade I			
All types of unsecured advances including clean bills/multani hundis purchased/discounted and drawals allowed against cheques sent for collection	Rs. 50,000/-	Rs. 1,00,000/-	Rs 2,00,000/-
Classified as Grade II, III or IV	Rs. 25,000/-	Rs. 50,000/-	Rs. 50,000/-

- (b) All unsecured advances, except those which are made for amounts not exceeding Rs.5000/- and for a temporary period up to 30 days in emergent case, shall be against the personal security of another member, who is not a director of the bank.

3.2 Aggregate Ceiling on Unsecured Advances

Every primary (urban) co-operative bank shall ensure that the aggregate of the total unsecured advances granted by it to its members should not exceed 33 1/3% of the total of time and demand liabilities of the bank, at any time.

No bank shall finance a borrower, who is already enjoying credit facilities with another bank, without obtaining a 'NOC' from such financing bank and where the aggregate of the credit facilities enjoyed by the borrower exceeds the ceiling stipulated in the directive for a single party, the prior approval of Reserve bank shall be obtained.

4. STATUTORY RESTRICTIONS

4.1 **Advances against Bank's Own Shares**

In terms of Section 20(1) (a) of the Banking Regulation Act 1949 (As applicable to co-operative societies), a primary (urban) co-operative bank cannot grant loans and advances on the security of its own shares.

4.2 **Restrictions on Power to Remit Debts**

4.2.1 Section 20-A (1) of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) stipulates that a primary (urban) co-operative bank shall not, except with the prior approval of the Reserve Bank, remit in whole or in part any debt due to it by -

- (i) any of its past or present directors, or
- (ii) any firm or company in which any of its directors is interested as director, partner, managing agent or guarantor, or
- (iii) any individual, if any of its directors is his partner or guarantor.

4.2.2 In terms of Section 20-A (2) of the said Act, any remission made in contravention of the provisions of sub-section (1) above shall be void and of no effect.

5. **REGULATORY RESTRICTIONS**

5.1 **Granting Loans and Advances to Directors and their Relatives**

5.1.1 With effect from 1 October 2003, primary (urban) co-operative bank have been prohibited to make, provide or renew either secured or unsecured loans and advances or any other financial accommodation to its directors or their relatives, and the firms / companies/ concerns in which they are interested. The existing advances may be allowed to continue up to the date when they are due. The advances should not be renewed or extended further.

5.1.2 Banks are required to submit information pertaining to loans and advances granted to their directors and relatives for each quarter end (i.e. 31 March, 30 June, 30 September and 31 December) in the proforma given in *Annexures 1 & 2*, to the concerned Regional Office of this Department within fifteen days from the close of the respective quarter.

5.1.3 In case of supersession of the Board of Directors of a bank, the concerned bank should submit the statement in respect of loans and advances availed by special officers/Administrators including their relatives.

5.2 **Maximum Ceiling on Advances to Nominal Members**

Primary (urban) co-operative banks may sanction loans to nominal members for short/temporary period and for purchase of consumer durables, subject to the following ceiling:

	Banks	Loan Amount Ceiling
(i)	with deposits upto Rs. 50 crores	Rs. 50,000/- per borrower
(ii)	with deposits above Rs. 50 crores	Rs. 1,00,000/- per borrower

5.3 **Advances against Fixed Deposit Receipts (FDRs) Issued by Other Banks**

The banks should desist from sanctioning advances against FDRs / term deposits of other banks.

5.4 **Bridge Loans/Interim Finance**

The primary (urban) co-operative banks, have been prohibited from entertaining any proposal for bridge loan / interim finance including that against capital / debentures issues and/or in the form of loans of a bridging nature, pending raising of long term funds from the market by way of capital, deposits etc. from all the categories of non-banking financial companies i.e. equipment leasing, hire-purchase, loan, investment and also residuary non-banking companies.

5.5 **Loans and Advances against Shares, Debentures and Bonds**

5.5.1 Primary (urban) co-operative banks are **not permitted** to extend any facilities to **stock- brokers**.

5.5.2 Loans against the primary / collateral security of shares/ debentures should be limited to Rs. 5 lakh if the security is in physical form and upto Rs. 10 lakh if the security is in demat form.

5.5.3 A margin of 50 percent should be maintained on all such advances.

5.5.4 Aggregate of all loans against the security of shares and debentures should be within the overall ceiling of 20 percent of the owned funds of the bank.

5.5.5 If the banks have lent to stock- brokers, the matter should be brought to the notice of our Regional Office. The concerned banks should take immediate steps to recall such advances and keep our Regional Office fully informed of the developments.

5.5.6 Banks are required to report to the respective Regional Offices of the Reserve Bank of India their outstanding, to individual borrowers and other entities against shares on quarterly basis in the format given in *Annexure 3*.

5.5.7 It is essential that before accepting share as security, the banks should put in place appropriate risk management system. All the approved loan proposals should be placed before the Audit Committee of the Bank at least once in two month. The Management and Audit Committee should ensure that all loans against shares are made only to those individuals who are not in any way connected with stock broking entity. Details of the loan sanctioned should be reported to the Board in its subsequent meeting.

5.6 **Bank Finance to Non-Banking Financial Companies (NBFCs)**

5.6.1 **Admission of NBFCs as Members**

(i) For availing loans or advances from a primary (urban) co-operative bank, its membership is a must. However, primary (urban) co-operative banks are normally **not expected to enrol** non-banking financial institutions like investment and financial companies as well as other persons engaged in the business competing with or conflicting with the business of the bank, as their members since it would be in contravention of the state co-operative societies act concerned and will also not be in conformity with the provision of model by-law No. 9. Therefore, banks **should not** finance NBFCs, other than those engaged in hire- purchase/leasing.

(ii) Similarly, admission of non-banking financial companies which are **not engaged exclusively** in leasing/hire purchase business as members may be contrary to the provisions contained in the state co-operative societies act concerned and model by-law No. 9. It will, therefore, be necessary for the primary (urban) co-operative banks to obtain prior approval of the concerned registrar of co-operative societies before admitting such leasing/hire purchase companies as members.

5.6.2 **Activities eligible for finance to NBFCs engaged in hire purchase/leasing activities**

Within the prescribed credit exposure norms and above stated restrictions, primary (urban) co-operative banks, with working capital funds aggregating to Rs. 25 crores and above, may finance the equipment leasing/hire purchase companies, subject to the following limits:

	Type of NBFC	Maximum Limit on Bank Finance
(i)	Equipment leasing and hire purchase companies having not less than 75 percent of their assets in equipment leasing and hire purchase, and 75 percent of their gross income from these two types of activities as per the last audited balance sheet of the companies.	3 times of the Net Owned Funds (NOF) of the NBFC
(ii)	Other equipment and hire purchase companies	2 times of the Net Owned Funds (NOF) of the NBFC

Note:

- (i) The maximum limit on bank finance should be within the **overall ceiling of borrowing by NBFCs, upto ten times of their NOF.**
- (ii) Bank finance to leasing concerns should be restricted only to "full payout" leases i.e. those leases where the cost of the asset is fully recovered during the primary lease period itself and further it should cover purchases of only new equipment.
- (iii) As a prudent policy, lease rentals due during the period of next five years should alone be taken into account for the purpose of lending.

5.6.3 **Activities not eligible for finance to NBFCs engaged in hire purchase/leasing activities**

- (i) The following activities undertaken by non-banking financial companies engaged in hire purchase/leasing activities are **not eligible** for bank credit. As such, these items should be excluded from the build-up of current assets while arriving at permissible bank finance for all categories of NBFCs:
 - (a) Bills discounted/rediscounted by NBFCs, except where specifically permitted;
 - (b) Investments made in shares, debentures etc. of a current nature, i.e., stock-in-trade;
 - (c) Investment in and advances to subsidiaries, group companies or other entities; and
 - (d) Investments in and inter-corporate loans/deposits to other companies.
- (ii) In respect of items indicated at (a) and (b) above, banks should not make any adjustment in the projected net working capital (NWC). It may be added that the projected NWC represents long-term surplus available to support current operations and, therefore, does not need to be adjusted as a result of changing/pruning the level of current assets while reducing the level of maximum permissible bank finance.

5.6.4 **Financing of NBFCs by Scheduled Primary (Urban) Co-operative Banks**

- (i) The **Scheduled** primary (urban) co-operative banks may rediscount bills discounted by NBFCs arising from sale of commercial vehicles, including light commercial vehicles, two wheeler and three wheeler vehicles, subject to normal lending safeguards and the following conditions:
 - (a) the bills should have been drawn by the manufacturers on dealers only,
 - (b) the bills should represent genuine sale transactions as may be ascertained from the chassis/engine numbers, and
 - (c) before rediscounting the bills, the scheduled primary (urban) co-operative banks should satisfy themselves about the bona-fides and track record of NBFCs which have discounted the bills.
- (ii) The **Schedule** primary (urban) co-operative banks may provide finance to NBFCs eligible for bank finance for the purpose of on-lending to Small Road and Water Transport Operators (SRWTOs) for purchase of trucks and classify such advances under priority sector, provided the ultimate borrowers (SRWTOs) satisfy the eligibility requirements for being classified under the priority sector.
- (iii) **Scheduled** primary (urban) co-operative banks may finance NBFCs for on-lending to agriculture, and the same may be reckoned for the purpose of priority sector lending as indirect finance to agriculture.
- (iv) The **Scheduled** primary (urban) co-operative banks may extend finance to NBFCs or other financial intermediaries for on-lending to food and agro -processing industries in the tiny sector and classify such finance under priority sector after satisfying that the relevant norms at the ultimate borrowal level are complied with.

5.7 **Financing for Agricultural Activities**

5.7.1 The primary (urban) co-operative banks are permitted to finance agricultural activities under priority sector subject to the following conditions:

- (i) Banks would provide direct finance only to members (no nominal members) and not through any agency like primary agricultural credit societies and primary land development banks etc.,
- (ii) Credit should be extended only after obtaining 'no dues certificate' from the existing credit agencies in the area, and
- (iii) Banks should follow the scales of finance and obtain security as per guideline issued by RBI/NABARD.

5.8 **Restriction on Advances to Defaulters of Statutory Dues**

5.8.1 Under the law, employees' contributions to provident fund deducted from wages of the employees/members, for a period of more than six months and not paid to the Commissioner are a first charge on the assets of the borrowers, in the case of the insolvency/winding up of the borrowing employer. In the circumstances, primary (urban) co-operative banks should safeguard their interest vis-à-vis such statutory dues.

5.8.2 Therefore, banks should satisfy themselves that there are no arrears of Provident Fund and other statutory dues of the borrowers by obtaining a declaration from them that all such dues have been duly paid. Proof in this regard may be called for only in cases where banks have reason to doubt the borrowers' declaration. Even where a proof is required, it is not necessary to insist on a certificate from the Regional Provident Fund Commissioner; production of a receipt evidencing the payment of the dues or a certificate

from the auditors of the borrower or any other similar proof may be considered sufficient. In the case of sick units where there are arrears for reasons beyond the control of the borrowers, banks may continue to consider such cases on merits.

5.9 **Exposure Norms for Investments**

Banks are allowed to make investments in the following non-SLR debt securities

- (a) bonds of public sector undertakings,
- (b) bonds/equity of All India Financial Institutions,
- (c) infrastructure bonds floated by All India Financial Institutions,
- (d) unsecured redeemable bonds floated by nationalised banks,
- (e) units of UTI and
- (f) certificate of deposits issued by scheduled commercial banks and other financial institutions approved by RBI.

The total investment in (a) to (f) above should not exceed 10 per cent of the banks' total deposits as on March 31 of the previous year, with a sub-ceiling of 5 per cent of incremental deposits of the previous year for investments covered under (e).

Further, the Banks should ensure that exposure, to a single issuer of debt securities is within the individual exposure ceiling prescribed by the RBI for grant of advances, based on the capital fund of the bank.

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**Credit Exposure Norms and Statutory/
 Other Restrictions on Loans & Advances**

Proforma - I
**Information in respect of Loans and Advances
 Sanctioned to the Bank's Directors (including Relatives)**

[Vide para 5.1.2]

Name of the Bank :

Position as on :

Sr. No.	Name of the Borrowers	Limits Sanctioned (Rs. in lakhs)						
		Date of Sanction / Renewal	Type of Facility		Secured	Unsecured	Nature and Value of Security	Due Date/ Date of Maturity
			Funded	Non-funded				
1	2	3	4	5	6	7	8	9

Amount Outstanding (Rs. in Lakhs)				
Secured	Unsecured	Total (100% of Funded and 50% of Non-funded Limits)	Whether in Excess of Exposure Norms/Limits stipulated by RBI	Action initiated in case of Overdue/ NPA Accounts
10	11	12	13	14

Note: Different type of facilities sanctioned to a borrower should be indicated separately against column 4 and 5.

Master Circular
**Credit Exposure Norms and Statutory/
 Other Restrictions on Loans & Advances**

Proforma - II

[Vide para 5.1.2]

Name of the Bank :

Position as on :

(Rs. in lakhs)

Particulars	Amount
1. Total time and demand liabilities (as defined in Section 18 read with Section 56 of the Banking Regulation Act, 1949)	
2. Total paid-up share capital and reserves	
3. Total "Capital Funds"	
4. 75% of item (2)	
5. Total of item 1 and 4	
6. (i) 20% of item 3	
(ii) 50% of item 3	
7. (i) Unsecured advances including clean bills purchased/discounted and cheques purchased	
(ii) Percentage of item 7(i) to item 5	
(iii) Total loans/advances including bills purchased outstanding against directors (including relatives) and the concerns in which they are interested	
(a) Secured	
(b) Unsecured	
(c) 50% of total Non-Funded facilities to all directors (including relatives)	
8. Percentage of total of items 7(iii)(a) and (b) and (c) to item 5	

Note: *Figures should be rounded-off upto two decimal points.*

Master Circular
**Credit Exposure Norms and Statutory/
Other Restrictions on Loans & Advances**

**Statement showing details of advances against security of
Shares/Debentures etc. granted to individuals/share brokers
and other entities for the quarter ended _____**

[Vide para 5.5.6]

Name of the Bank _____

Sr. No.	Name of the Borrower	Nature of Limit and Amount Sanctioned	Outstandin g Balance as at the end of Reporting Quarter (Rs. in lakh)	Market Value of Shares, Debentures, etc. held as Security (Rs. in lakh)	Due Date of Repayment of Advance	Action Taken to comply with RBI instructions contained in circular dated 19 April 2001
1	2	3	4	5	6	7

Chief Executive Officer

Master Circular
**Credit Exposure Norms and Statutory/
Other Restrictions on Loans & Advances**

A. (i) List of Circulars consolidated in the Master Circular

No.	Circular No.	Date	Subject
1.	UBD. BPD(PCB)Cir No. 45/ 16. 20. 00/ 2003-04	15.4.2004	Investments in non-SLR debt securities by PCBs
2.	BPD.BPD (PCB) Cir No. 34/ 13. 05. 00/ 2003-04	11.2.2004	Maximum Limit on advances – Limit on credit exposure to individual/group of borrowers – computation of capital funds
3.	BPD. DS (PCB) Cir No. 29/ 13 .05 .00/ 2003-04	5.1.2004	Finance against shares & debentures by UCBs
4.	UBD.BPD.Cir.No.50/13.05.00/2002-03	29-04-2003	Loans & Advances to directors, relatives and firms / concerns in which they are interested
5.	UBD.DS.PCB.Cir.No.37/13.05.00/2001-02	01.04.2002	Limit on Credit Exposure to individual / group of borrowers
6.	UBD.No.DS.PCB.C1R.41/13.05.00/2000-01	19-04-2001	Bank Finance against Shares and Debentures
7.	UBD.No.DS.PCB.CIR.35/13.05.00/1999-2000	13-03-2001	Maximum Limit on Advances - Unsecured Advances by Salary Earners' Banks - Revision of Limit
8.	UBD.No.PCB.Cir.25/13.05.00/2000-2001	18-01-2001	Maximum Limit on Advances - Limits on Credit Exposure to Individual/Group of Borrowers - Computation of Capital Funds
9.	UBD.No.DS.PCB.24/13.05.00/2000-2001	16-01-2001	Credit Extended to Diamond Exporters - Embargo on Import of Conflict Diamonds
10.	UBD.No.DS.4/13.05.00/2000	25-08-2000	Maximum Limit on Advances - Limits on Credit Exposure to Individuals/Group of Borrowers - Computation of Capital Funds
11.	UBD.No.DS.PCB.1/13.05.00/2000-2001	28-07-2000	Credit Extended to Diamond Exporters - Embargo on Import of Conflict Diamonds
12.	UBD.No.DS.CIR.31/13.05.00/1999-2000	01-04-2000	Maximum Limit on Advances - Limits on Credit Exposure
13.	UBD.No.DS.PCB.CIR.41/13.05.00/97-98	12-02-1998	Advances granted to Directors and their relatives
14.	UBD.No.DS/PCB/CIR.38/13.05.00/96-97	04-02-1997	Limits on Credit Exposure to Individual/ Group of borrowers - Advances against security of term deposits
15.	UBD.No.Plan.PCB.33/09.09.01/96-97	13-12-1996	Financing Agricultural Activities by PCBs
16.	UBD.No.DS.PCB.CIR.27/13.05.00/96-97	11-11-1996	Maximum Limit on Advances - Limits on Unsecured Advances to single party/connected Group
17.	UBD.No.DS.PCB.DIR.16/13.05.00/96-97	11-11-1996	Maximum Limit on Advances
18.	UBD.No.DS.PCB.CIR.25/13.05.00/96-97	30-10-1996	Advances granted to directors and their relatives by Primary (Urban) Co-operative Banks

No.	Circular No.	Date	Subject
19.	UBD.No.Plan.PCB.20/09.63.00/96-97	16-10-1996	Policy and practice regarding Nominal Membership
20.	UBD.No.DS.PCB.Cir.65/13.01.00/95-96	31-05-1996	Advances against Fixed Deposit Receipts (FDRs) issued by other banks
21.	UBD.No.DS.PCB.Cir.63/13.05.00/95-96	24-05-1996	Lending to non-banking financial companies
22.	UBD.No.DS.PCB.CIR.53/13.05.00/95-96	22-03-1996	Maximum Limit on Advances - Limits on Credit Exposure to Individuals/Group of Borrowers
23.	UBD.No.DS.PCB.CIR.39/13.05.00/95-96	16-01-1996	Maximum Limit on Advances - Limits on credit exposure to individuals/group of borrowers
24.	UBD.No.DS.PCB.DIR.18/13.05.00/95-96	16-01-1996	Maximum Limit on Advances
25.	UBD.No.DS.PCB.CIR.60/13.05.00/94-95	30-05-1995	Lending to Non-Banking Financial Companies
26.	UBD.No.DS.(PCB)CIR.58/13.05.00/94-95	17-05-1995	Bridge Loans/Interim Finance
27.	UBD.No.DS(PCB)Dir.16/13.05.00/94-95	29-04-1995	Maximum limit on advances
28.	UBD.No.DS(PCB)Cir.54/13.05.00/94-95	29-04-1995	Maximum limit on advances
29.	UBD.No.DS.CIR.25/13.05.00/94-95	21-10-1994	Leading to non-Banking financial companies
30.	UBD.I&L.Cir.RCS.1/12.05.00/94-95	15-07-1994	Granting of loans and advances to persons engaged in business competing with or conflicting with the business of primary co-operative banks
31.	UBD.No.DS.CIR.PCB.4/13.05.00/94-95	12-07-1994	Maximum limit on advances - Advances to Directors and their relatives and to concerns in which Directors or their relatives are interested
32.	UBD.No.(PCB)DIR.5/13-05.00/93-94	26-05-1994	Maximum Limit on Advances
33.	UBD.No.DS(PCB)Cir.76/13.05.00/93-94	26-05-1994	Maximum limit on advances - Advances to Directors and their relatives and to concerns in which Directors or their relatives are interested
34.	UBD.No.40/09.63.00/93-94	16-12-1993	Policy and practice regarding Nominal Membership
35.	UBD.No.(PCB)29/DC.(R.1)-92/93	26-12-1992	Bridge Loans/Interim Finance
36.	UBD.No.Plan.8/UB.8/91/92	05-02-1992	Policy and Practice regarding Nominal Membership
37.	UBD(PCB)55/DC.R.1-90/91	25-02-1991	Maximum Limit on Advances - Advances Against Cheques Sent for Collection
38.	UBD.PCB.2/DC.(R-1)-90/91	20-07-1990	Financing of Leasing/Hire Purchase Companies
39.	UBD.No.DC.99/R.1-87/88	08-02-1988	Maximum Limit on Advances - advances to Salaried Borrowers
40.	UBD.No.P&O.100/UB.8-86/87	25-06-1987	Policy and Practice regarding Nominal Membership
41.	ACD.Plan.(IFS)1295/PR.36-78/9	17-10-1978	Sanction of Credit Facilities to Borrowers who are defaulting in payment of Statutory Dues such as Provident Fund, etc. by PCBs

B. List of Other Circulars from which instructions relating to Credit Exposure Norms and Statutory/Other Restrictions on Loans & Advances have also been consolidated in the Master Circular

No.	Circular No.	Date	Subject	Para No. of the Circular	Para No. of the Master Circular
1.	UBD.No.DS.PCB.7/13.04.00/2000-2001	10-10-2000	Monetary and Credit Policy Measures - Mid-Term Review for the Year 2000-2001	3	4.11.4 (i)
2.	UBD.No.DS.SUB.2/13.05.00/2000-2001	25-08-2000	Rediscounting of Bills by Banks	3	4.6.4 (i)
3.	UBD.No.Plan.SPCB.01/09.09.01/2000-2001	01-07-2000	Priority Sector Lending - Lending to NBFCs for On-lending to Agriculture	2	4.6.4 (iii)
4.	UBD.No.DS.SUB.3/13.05.00/1999-2000	21-09-1999	Rediscounting of Bills by Banks	2, 3	4.6.4 (i)
5.	UBD.Plan.No.SPCB.1/09.09.01/99-2000	27-08-1999	Priority Sector lending - Flow of credit to food and agro-based processing, forestry and tiny sector enterprises	1	4.6.4 (iv)
6.	UBD.No.DS.PCB.Cir.10/13.05.00/98-99	27-11-1998	Bank Finance against Shares and Debentures	Annexure Para 2(i)	4.5.1
7.	UBD.Plan.Gr.SUB/5/09.09.01/98-99	18-11-1998	Bank Credit to Non Banking Financial Companies (NBFCs) against financing of trucks Classification under Priority Sector	1	4.6.4 (i)
8.	UBD.No.DS.PCB.CIR.55/13.05.00/97-98	29-04-1998	Advances against Shares and Debentures	2	4.5.3
9.	UBD.No.DS.PCB.CIR.46/13.05.00/96-97	23-04-1997	Lending under consortium arrangement	1	2.2.2 (v)
10.	UBD.No.DS.PCB.Cir.40/13.05.00/96-97	13-02-1997	Lending for working capital purposes Sanction of ad-hoc limits	1	2.2.2 (i) (c)
11.	UBD.No.Plan.PCB.60/09.78.00/95-96	08-04-1996	Equipment leasing and hire purchase financing activities	1, 2	2.2.2 (i) (b), 2.3.2
12.	UBD.NO.DS.PCB.CIR.35/13.05.00/95-96	05-01-1996	Grant of financial Assistance against Share/ Debenture of joint stock companies	2	4.5.3
13.	UBD.No.Plan./CIR(RCS).9/09.22.01/95-96	01-09-1995	Finance for Housing Schemes - Primary (urban) Co-operative Banks	3	2.3.3
14.	UBD No.DC.7/13.05.00/95-96	09-08-1995	Grant of financial Assistance against Shares/ Debentures of joint stock companies	2	4.5.3
15.	UBD.No.(PCB)50/13.05.00-93/94	14-01-1994	Restrictions on credit to certain sectors - Real Estate Loans	3	2.3.1
16.	UBD.No.(PCB)54/DC(R.1)-92/93	07-04-1993	Restriction on Credit to Certain Sectors	1	4.5.3
17.	UBD(PCB)38/DC.(R.1)-91/92	13-11-1991	Restriction on Credit to Certain Sectors	1(iv)	2.3.1