

RBI/2004-05/103

PCB. CIR.10/13.05.00/04-05

August 7, 2004

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

Dear Sir/Madam,

Loans and advances to directors etc-  
-directors as surety/guarantors- Clarification

Please refer to our circular UBD.BPD.CIR.18/13.05.00/03-04 dated October 1, 2003 advising banks not to sanction loans and advances to directors, their relatives and firms/concerns in which they are interested w.e.f 1-10-2003.

2. Certain banks /Federations have sought our clarification as to whether directors can stand as Surety/Guarantor to the loans and advances sanctioned by the Urban Co-operative banks. In this connection, we clarify that sanction of loans and advances against the surety/guarantee of the directors is against the spirit of our above circular. In view of above, the directors and relatives cannot stand as surety/guarantor to the loans and advances (both secured and unsecured) sanctioned by the UCBs.

3. Please acknowledge receipt to the concerned Regional Office of RBI.

Yours faithfully,

Sd/-

(N.S.Vishwanathan)  
Chief General Manager