

RBI/2004-2005/236

RPCD.PLNFS.BC.No. **43** /06.02.31/2004-05

October 26, 2004

The Chairman/Managing Director
All Scheduled Commercial Banks
(Including RRBs & Local Area Banks)

Dear Sir,

Priority Sector Lending - Investment by banks in securitized assets pertaining to SSI sector

Please refer to paragraph **82** of the Mid-Term Review of Annual Policy Statement for the year 2004-05 dated October 26, 2004 (copy of the paragraph enclosed). In order to encourage securitization of loans to SSI sector, it has been decided that investments made by banks in securitized assets representing direct lending to the SSI sector would be treated as their direct lending to SSI sector under priority sector, provided it satisfies the following conditions:

- i. The pooled assets represent direct loans to SSI sector which are reckoned under priority sector; and
 - ii. The securitized loans are originated by banks/financial institutions.
2. We shall be glad if you please issue necessary instructions to your controlling offices/branches for appropriate action.
3. Please acknowledge receipt.

Yours faithfully,
(G. Srinivasan)
Chief General Manager

Encl: As above.