

RBI/2004-05/430
UBD(PCB). CIR.No. 45/13.05.00/04-05

April 19, 2005

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-UCBs**

Please refer to our circular UBD.PCB.CIR.10/13.05.00/04-05 dated August 7, 2004 advising UCBs that the directors and relatives cannot stand as surety/guarantor to the loans and advances (both secured and unsecured) sanctioned by the UCBs.

2. In this connection, we clarify that banks which have granted loans and advances against the guarantee/surety of the directors and/or their relatives prior to October 1, 2003 may not unwind the position and may continue with the guarantee /surety of the directors and /or their relatives till the maturity of the facility. However, as conveyed in our above circular no fresh borrowal arrangements should be allowed by UCBs with the guarantees/surety of their directors and /or their relatives.

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

Yours faithfully,

sd/-

(N.S.Vishwanathan)
Chief General Manager