

RBI/2005-06/27

RPCD. No. Plan. BC. 5 / 04.09.01/ 2005-06

July 1, 2005

**The Chairman/ Managing Director/
Chief Executive Officer**

***All scheduled commercial banks
(including RRBs)***

Dear Sir,

Priority Sector Lending – Investment by banks in venture capital

Please refer to our Master Circular on Lending to Priority Sector dated July 20, 2004 in terms of which investments made by the scheduled commercial banks in venture capital are reckoned under priority sector lending, provided the venture capital funds/companies are registered with SEBI.

2. On a review of the recent developments, including overall credit growth and growth of investment in venture capital vis-à-vis other sectors, it has been decided that:

- (i) the fresh investments that may be made by banks on or after July 1, 2005 in venture capital shall not be eligible for classification under priority sector lending; and that
- (ii) the investments, which have already been made/to be made by banks up to June 30, 2005, in venture capital shall not be eligible for classification under priority sector lending with effect from April 1, 2006.

3. The banks are, therefore, advised to align their priority sector lendings/investments suitably so as to comply with the above guidelines.

4. Please acknowledge receipt.

Yours faithfully,

(C S Murthy)

Chief General Manager-in-Charge