

**January 14, 2004**

To All Scheduled Commercial Banks  
(Excluding RRBs and LABs)

Dear Sir,

**Maintenance of CRR / SLR on transaction in  
Collateralised Borrowing and Lending Obligation (CBLO)**

As you are aware, Reserve Bank of India has been promoting collateralised borrowing / lending operations by market participants. In this connection, we invite a reference to paragraph 101 of the Governor's statement on Mid-term Review on Monetary and Credit Policy for the year 2002-03 (cf. letter No.MPD. BC. 222 / 07.01.279/2002-03 dated October 29, 2002).

2. The Clearing Corporation of India Ltd. (CCIL) has developed and introduced with effect from January 20, 2003 a money market instrument called Collateralised Borrowing and Lending Obligation (CBLO). On enquiries received from banks on the treatment of CBLO in regard to maintenance of CRR and SLR, it is clarified that :

- (i) since CCIL is considered as a non-bank institution, borrowing bank should classify its borrowing under CBLO as 'Liability in India to Others' which qualify for reserve requirements. Accordingly, scheduled commercial banks are required to include in their net demand and time liability (NDTL), the borrowing under CBLO. However, in order to develop CBLO as a money market instrument, it has been decided to grant banks a special exemption from CRR prescription subject to the bank maintaining statutory minimum CRR of 3%;
- (ii) the scheduled commercial banks are also required to maintain statutory liquidity ratio (SLR) of 25% on NDTL including borrowing through CBLO. Further, securities lodged in the Gilt Account of the bank maintained with CCIL under CSGL facilities remaining unencumbered at the end of any day can be reckoned for SLR purposes by the concerned bank. For this

purpose, CCIL will provide a daily statement to banks / RBI listing the securities lodged / utilized / remaining unencumbered.

3. Please acknowledge receipt.

Yours faithfully,

( D. Mishra )  
General Manager