

December 8, 2005

All Scheduled State Co-operative Banks (SCBs) and
Regional Rural Banks (RRBs)

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.

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 SCBs/ RRBs are required to include in their net demand and time liabilities (NDTL), the borrowing under CBLO. However, in order to develop CBLO as a money market instrument, it has been decided to grant Scheduled SCBs/ RRBs a **special exemption** from CRR prescription subject to the bank maintaining statutory minimum CRR of 3%;
- (ii) the Scheduled SCBs and RRBs 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. The contents of this circular may be placed before the Board of your bank.
4. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(C.S.Murthy)
Chief General Manager In-Charge