

RBI/2005-06/396

UBD.PCB.Cir.No.55/09.11.600/05-06

June 1, 2006.

The Chief Executive Officers of all
Primary (Urban) co-operative Banks

Dear Sir/Madam,

Annual Policy Statement for the Year 2006-07- Risk Weight on Exposures to Commercial Real Estate

Please refer to our Circular No. UBD.PCB.Cir.No. 8/09.116.00/05-06 dated August 9, 2005 wherein, the risk weight on banks' exposure to the commercial real estate was increased from 100 per cent to 125 per cent and was applicable on an on-going basis. In this connection, a reference may be made to paragraph 186 of the Annual Policy Statement for the Year 2006-07 (extract enclosed). As mentioned therein, it has been decided to increase the risk weight on banks' exposure to the commercial real estate to 150 per cent.

2. Please acknowledge receipt to the Regional Office concerned.

Yours faithfully,

sd/-

(A.K Khound)
Chief General Manager

Extract of Annual Policy Statement for the year 2006-07

Risk Weight on Exposures to Commercial Real Estate

186. In July 2005, the Reserve Bank had increased the risk weight on exposures to commercial real estate from 100 per cent to 125 per cent. Given the continued rapid expansion in credit to this sensitive sector, it is proposed:

- to increase the risk weight to 150 per cent.