

June 22, 2006

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

Dear Sir,

Maintenance of CRR on Exempted Categories

Please refer to our Circulars RPCD.No.RF.BC 49/07.02.05/2001-02 dated December 31, 2001 (addressed to all Scheduled State Co-operative Banks), RPCD.No.RF.BC 50/07.02.05/2001-02 dated December 31, 2001 (addressed to all Regional Rural Banks) and RPCD.CO.RF.BC.53/07.02.01/2005-06 dated December 8, 2005 on the above subject.

2. In terms of the instructions contained therein, every Scheduled State Co-operative Bank /Regional Rural Bank is exempted from maintaining average CRR on the following liabilities, subject to the maintenance of statutory minimum CRR of 3 per cent on its total demand and time liabilities as computed under section 42(1) of the Reserve Bank of India Act, 1934:

- (i) Liabilities to the banking system in India as computed under Clause (d) (in case of Regional Rural Banks) and clause (e) (in case of Scheduled State Co-operative Banks) of the Explanation to Section 42(1) of the RBI Act, 1934; and
- (ii) Transactions in Collateralized Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India Ltd. (CCIL).

3. A reference is invited to our circular RPCD.RF.BC. 93/07.02.01/2005-2006 dated June 22, 2006 regarding enactment of the Reserve Bank of India (Amendment) Bill 2006 and its coming into force with effect from June 22, 2006. Consequent upon the amendment to sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934, the statutory minimum CRR requirement of 3 percent of total demand and time liabilities no longer exists.

4. Further, consequent upon the amendment to sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934, the Reserve Bank having regard to

the needs of securing monetary stability in the country, can prescribe the Cash Reserve Ratio (CRR) for scheduled banks without any floor rate or ceiling rate. Accordingly, Reserve Bank of India has decided to continue with the status quo on the rate of CRR required to be maintained by Scheduled State Co-operative Banks and Regional Rural Banks at 5 per cent of their demand and time liabilities, in terms of our circular RPCD.RF.BC.93/07.02.01/2005-2006 dated June 22, 2006. It has also been decided to exempt the liabilities referred to at paragraph 2 (i) and (ii) on the previous page from the above CRR requirement of 5 per cent of the demand and time liabilities of Scheduled State Co-operative Banks and Regional Rural Banks.

5. A copy of the relative notification RPCD.RF.No.6107 /07.02.01/2005-2006 dated June 22, 2006 is enclosed.

6. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(K.Bhattacharya)
General Manager

Encl: as above

NOTIFICATION

Consequent upon the amendment to sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934), the statutory minimum Cash Reserve Ratio (CRR) requirement of 3 per cent of the total demand and time liabilities in respect of Scheduled State Co-operative Banks and Regional Rural Banks no longer exists with effect from June 22, 2006. Further, consequent upon the amendment to sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934, the Reserve Bank having regard to the needs of securing monetary stability in the country, can prescribe the Cash Reserve Ratio (CRR) for scheduled banks without any floor rate or ceiling rate. In terms of these powers, Reserve Bank of India has decided to continue with the status quo on the rate of CRR required to be maintained by Scheduled State Co-operative Banks and Regional Rural Banks at 5 per cent of their demand and time liabilities. In exercise of the powers conferred by sub-section (7) of Section 42 of the Reserve Bank of India Act, 1934, the Reserve Bank of India hereby exempts every Scheduled State Co-operative Bank / Regional Rural Bank from the maintenance of CRR at 5 per cent on the following liabilities with effect from June 22, 2006:

- (i) Liabilities to the banking system in India as computed under Clause (d) (in case of Regional Rural Bank) and (e) (in case of Scheduled State Co-operative Bank) of the Explanation to sub-section (1) of Section 42 of the RBI Act, 1934; and
- (ii) Transactions in Collateralized Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India Ltd. (CCIL).

(V.S.Das)
Executive Director