

**RBI/2005-2006/426**

UBD (PCB) Cir. No. 59/16.26.000/2005-2006

June 22, 2006

The Chief Executive Officers of  
All Scheduled Primary (Urban) Co-operative Banks

Dear Sir/Madam,

**Section 42(1) of Reserve Bank of India Act, 1934 – Maintenance of CRR**

Please refer to our Circular UBD PCB Cir 19/16.11.00/2004-05 dated September 13, 2004 on the captioned subject.

2. The Reserve Bank of India (Amendment) Bill, 2006 has been enacted and has come into force with effect from June 22, 2006, with its notification in the Gazette. 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 the monetary stability in the country, can prescribe the Cash Reserve Ratio (CRR) for scheduled banks without any floor rate or ceiling rate. The statutory minimum CRR requirement of 3 per cent of total demand and time liabilities no longer exists with effect from June 22, 2006. In exercise of the powers conferred on Reserve Bank of India, it has been decided to continue the *status quo* on the rate of CRR to be maintained by Scheduled Primary (Urban) Co-operative Banks and the extant exemptions, which will be operative till further changes are notified. Accordingly, Scheduled Primary (Urban) Co-operative Banks shall continue to maintain CRR of 5 per cent of their total demand and time liabilities, subject to the exemptions as indicated in our circular UBD.PCB.Cir.No.60/16.26.000/2005-06 dated June 22, 2006.

3. Further, as part of the amendments carried out to Reserve Bank of India Act, 1934, sub-section (1B) of Section 42 of the Act has been omitted. Accordingly, the Reserve Bank will not be paying any interest on the CRR balances maintained by Scheduled Primary (Urban) Co-operative Banks with effect from the fortnight beginning June 24, 2006.

4. A copy of the relative notification UBD (PCB) No.13275/16.26.000/2005-2006 dated June 22, 2006 is enclosed.

Yours faithfully,

(N.S.Vishwanathan)  
Chief General Manager in-Charge

Encl: as above

June 22, 2006

**NOTIFICATION**

Consequent upon the amendment carried out 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 no longer exists in respect of Scheduled Primary (Urban) Co-operative Banks with effect from June 22, 2006. Further, in exercise of the powers conferred under the amended sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 and having regard to the needs of securing monetary stability in the country, the Reserve Bank of India hereby notifies that every Scheduled Primary (Urban) Co-operative Bank should continue to maintain a Cash Reserve Ratio of 5 per cent of its total demand and time liabilities subject to the exemptions as envisaged in notification No. UBD.PCB. 13276/16.26.000/2005-2006 dated June 22, 2006 This is in partial modification of the notification UBD No: BP /1/16.11.00/2004-05 dated September 13, 2004.

(V.S.Das)  
Executive Director