

RBI/2005-2006/427

UBD.PCB.Cir.No. 60 /16.26.000/2005-2006

June 22, 2006

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

Dear Sir/Madam,

Maintenance of CRR on Exempted Categories

Please refer to paragraph 2.1.7(ii) of our Master Circular UBD.BR(PCB).MC.No. 16.26.00/04-05 dated August 26, 2004 on CRR and SLR.

2. In terms of the instructions contained therein, every Scheduled Primary (Urban) Co-operative 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) 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 UBD (PCB) Cir. No: 59/16.26.000/2005-2006 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 Primary (Urban) Co-operative Bank at 5 per cent of their demand and time liabilities, in terms of our circular UBD (PCB) Cir. No. 59 / 16.26.000 /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 Primary (Urban) Co-operative Bank.

5. A copy of the relative notification UBD (PCB) No. 13276/16.26.000/2005-2006 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 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 Primary (Urban) Co-operative Bank 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 Primary (Urban) Co-operative Bank 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 Primary (Urban) Co-operative Bank 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 Primary (Urban) Co-operative 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) 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