

August 27 , 2001

To the CEOs of the all-India Refinancing Institutions
(NABARD, NHB and SIDBI)

Dear Sir,

Credit exposure norms – applicability to refinancing institutions

Please refer to our Circular DOS.FID.No.17 / 01.02.00/96-97 dated 28 June 1997 relating to credit exposure norms for individual and group borrowers.

2. It has been observed from some of the references received by us that there is a lack of clarity regarding the applicability of the credit exposure norms, prescribed vide the aforesaid Circular, to the refinancing institutions (RFIs). It is hereby clarified that the credit exposure norms are also applicable to the refinancing institutions. However, in view of the refinance operations being the core function of these institutions, their refinance portfolio only, would **not** be subject to these exposure norms. However, from the prudential perspective, the RFIs would be well advised to evolve their own credit exposure limits, with the approval of their Boards, even in respect of the refinancing portfolio. These norms could, inter alia, be related to the capital funds / regulatory capital of the institution. Any relaxation / deviation from such norms should also be permitted only with the prior approval of the Board of Directors.

3. Please acknowledge receipt.

Yours faithfully,
(K. C. Bandyopadhyay)
Chief General Manager