

October 8, 2008

To

The CEOs of all scheduled commercial banks
in the private sector

Dear Sir,

Investments in the equity of a bank by other banks or their group entities

With reference to the extant instructions in regard to the limit of 5% for cross-holding of capital contained in paragraph 2.1.4(iii) of our master circular DBOD. No. BP. BC. 2 / 21.01.002 / 2008-09 dated July 1, 2008 and the guidelines on acknowledgement of allotment / transfer of shares issued on February 3, 2004, it is clarified as under:

- (i) The aggregate 'proprietary' holdings of a bank and its group entities should be limited to 5% of the investee bank's paid-up capital.
- (ii) 'Fiduciary' holdings of an AMC belonging to the group (through PMS and MF) would not be reckoned for the purpose of the 5% limit.
- (iii) However, the investee bank should approach RBI for acknowledgement if the total holdings of the group (including fiduciary holdings) are at 5% or more of the bank's paid-up capital.
- (iv) The AMC should not exercise voting rights on its holdings in the investee bank. An undertaking to this effect may be furnished by the AMC to the investee bank, which may be kept with the bank for verification during inspections.
- (v) The AMC should not have any Board representation in the investee bank.

Yours faithfully

(Murli Radhakrishnan)
General Manager