

October 14, 2008

All Scheduled Commercial Banks (excluding RRBs and LABs)  
and All-India Term Lending and Refinancing Institutions

Dear Sirs,

**Loans to mutual funds against and  
buy back of Certificates of Deposits (CDs)**

Please refer to para 12 of the Master Circular No. FMD.MSRG.No.21/02.08.003/ 2008-09 July 1, 2008 on Guidelines for Issue of Certificates of Deposit in terms of which the banks and FIs are not permitted to grant loans against CDs. Furthermore, they are also not permitted to buy-back their own CDs before maturity.

2. On a review, it has been decided to relax these restrictions on lending and buy back, for a period of 15 days from the date of this Circular, only in respect of the CDs held by mutual funds.

3. While granting such loans to the mutual funds, the banks should keep in view the provisions of paragraph 44(2) of the SEBI (Mutual Funds) Regulations, 1996. Further, such finance, if extended to equity-oriented mutual funds, will form part of banks' capital market exposure, as hitherto.

Yours faithfully,

(Prashant Saran)  
Chief General Manager-in-Charge