



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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RBI/2009-10/440

UBD. BPD. PCB. Cir. No. 62/ 16.20.000/ 2009-10

April 30, 2010

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

Dear Sir

Classification of investments by banks in Bonds issued by Companies engaged in Infrastructure activities

Please refer to paragraph 66 of the Annual Policy Statement for the year 2010-11 (extract enclosed) wherein it has been proposed to allow banks to classify their investments in Non-SLR long term bonds issued by companies engaged in infrastructure activities under Held To Maturity (HTM) category.

2. As per the instructions contained in paragraph 2 (iii) (g) of our circular [UBD.\(PCB\).BPD.Cir.No.46/16.20.000/2008-09](#) dated January 30, 2009, all fresh investments under Non-SLR category should be classified under Held For Trading (HFT)/Available For Sale (AFS) categories only and marked to market as applicable to these categories of investments. It has now been decided that investment by UCBs in the long term bonds issued by companies engaged in executing infrastructure projects and having a minimum residual maturity of seven years may also be classified under HTM category.

3. The prudential norms for classification, valuation and shifting of investments in HTM category remain unchanged.

4. Kindly acknowledge receipt of this circular to the Regional Office concerned.

Yours faithfully,

(A. Udgata)
Chief General Manager



Annual Policy Statement for the Year 2010-11

Non-SLR Bonds of companies engaged in infrastructure: Valuation

66. At present, banks' investments in non-SLR bonds are classified either under held for trading (HFT) or available for sale (AFS) category and subjected to 'mark to market' requirements. Considering that the long-term bonds issued by companies engaged in infrastructure activities are generally held by banks for a long period and not traded and also with a view to incentivising banks to invest in such bonds, it is proposed:

- to allow banks to classify their investments in non-SLR bonds issued by companies engaged in infrastructure activities and having a minimum residual maturity of seven years under the held to maturity (HTM) category.