



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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UBD.BPD.(PCB)CIR No. 36 /16.20.000/2013-14

November 1, 2013

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

Madam/Dear Sir,

**Investment portfolio of Urban Co-operative Banks (UCBs)
Classification, Valuation and Provisioning**

Please refer to our [circular UBD.No.PCB.Cir.16/16.20.00/2004-05 dated September 2, 2004](#), in terms of which Urban Co-operative Banks (UCBs) were advised that the limit of 25 per cent of total investments under Held to Maturity (HTM) category may be exceeded provided the excess comprised only Statutory Liquidity Ratio (SLR) securities and the total SLR securities held in the HTM category is not more than 25 per cent of their NDTL as on the last Friday of the second preceding fortnight.

2. It has been observed that the recent hardening of long term yields has resulted in banks incurring large mark-to-market (MTM) losses in their investment portfolio. Since these MTM losses are partly resulting from abnormal market conditions and could be recouped going forward, it has been decided to provide the following prudential adjustments -

- i. As per extant instructions, UCBs may shift investments to HTM with the approval of the Board of Directors once a year and such shifting will normally be allowed at the beginning of the accounting year. As a one-time measure, it

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हिंदी आसान है, इसका प्रयोग बढ़ाइए—

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्ति की जानकारी जैसे बैंक के खाते पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब न दें।
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has now been decided to permit UCBs to transfer SLR securities from Available For Sale (AFS)/ Held for Trading (HFT) to HTM category up to the limit of 25 per cent of NDTL. Such transfer of securities from AFS/HFT category to HTM category should be made at the lower of acquisition cost or book value or market value. UCBs have the option of valuing these securities for the purpose of such transfer as at the close of business of July 15, 2013 and depreciation, if any, should be provided for in accordance with paragraph 16.5.4 of the [Master Circular No. UBD.BPD.\(PCB\).MC.No.12/16.20.000/2013-14 dated July 1, 2013](#) on Investments by Primary (Urban) Co-operative Banks. If banks choose to transfer securities as above, the transfers must be done at the earliest but not later than November 15, 2013. This transfer must be out of the outstanding position of AFS/HFT securities as at the close of business of November 1, 2013 up to the limit of 25 per cent of NDTL (i.e. NDTL as on October 4, 2013 applicable for maintenance of SLR for November 1, 2013).

- ii. UCBs are required to periodically value their AFS and HFT portfolio and provide for net depreciation in accordance with paragraphs 17.1.2 and 17.1.3 of the Master Circular dated July 1, 2013 mentioned above. As a one-time measure, it has been decided to permit UCBs to distribute the net depreciation of the AFS/HFT portfolio on each of the valuation dates in the current financial year in equal instalments during the financial year 2013-14.

Yours faithfully,

(A.K.Bera)
Principal Chief General Manager