

RBI/2008-09/482

RPCD.CO.RF.BC.No. 109 /07.38.01/2008-09

May 25, 2009

All State / Central Cooperative Banks (StCB/ CCBs)

Dear Sir / Madam,

Exposure to Commercial Real Estate

It has come to our notice that certain State Cooperative and Central Cooperative Banks have extended finance to the commercial real estate sector. We advise that the primary role of the rural cooperative bank is to lend for activities related to agriculture and rural development. Further, taking exposure in sensitive areas would not be in the interest of Short Term Cooperative Credit Structure (STCCS).

2. It has, therefore, been decided that State and Central Cooperative Banks should desist from financing the commercial real estate sector. As regards the credit facilities already extended to this sector, it should be ensured that such exposures are well secured and adequate provisioning made, wherever required, as per the existing prudential guidelines. It may also be ensured that the credit facilities are not renewed.

3. Please acknowledge receipt of this circular to our concerned Regional Office.

Yours faithfully

(B.P.Vijayendra)

Chief General Manager