RBI/2012-13/501

DBOD.No.BP.BC.92/21.04.141/2012-13   May 15, 2013

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

**Monetary Policy Statement 2013-14 –
SLR Holdings under Held to Maturity Category**

Please refer to paragraph 84 of the Monetary Policy Statement 2013-14 (extract enclosed) announced on May 3, 2013 on 'SLR Holdings under Held to Maturity Category'.

2. In terms of our circular No.DBOD.BP.BC.37/ 21.04.141/2004-05 dated September 2, 2004 on Prudential Norms on Classification of Investment Portfolio of Banks, the limit of 25 per cent of total investments under Held to Maturity (HTM) category may be exceeded provided the excess comprised only of Statutory Liquidity Ratio (SLR) securities, and the total SLR securities held in the HTM category is not more than 25 per cent of banks' Demand and Time Liabilities (DTL) as on the last Friday of the second preceding fortnight. This relaxation was allowed taking into account the requirement of maintenance of SLR at 25 per cent of DTL under Section 24 of the Banking Regulations Act, 1949 at that time. The SLR has since been brought down to 23 per cent of DTL. With a view to align the above and in line with the recommendations of the Working Group on Enhancing Liquidity in the Government Securities and Interest Rate Derivatives Markets (Chairman: R.Gandhi), it has been decided as under:

बैंकिंग परिचालन और विकास विभाग, केन्द्रीय कार्यालय, 12वी मंजिल, केन्द्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, मुंबई-400001
फैक्स सं. / FAX NO.22705691 टेलीफोन सं ./ TELEPHONE No. 22661602

DEPARTMENT OF BANKING OPERATIONS & DEVELOPMENT, CENTRAL OFFICE, 12ᵗʰ Floor, Central Office Building, Shahid Bhagat Singh Marg, Mumbai-400
001 E-mail : cgmicdbodco@rbi.org.in
बैंक हिन्दी में भी पत्राचार का स्वागत करता है । हिन्दी आसान है, इसका प्रयोग बढ़ाइये ।

(i) Banks are permitted to exceed the limit of 25 per cent of total investments under HTM category provided:

    a. the excess comprises only of SLR securities, and

    b. the total SLR securities held in the HTM category is not more than 24.50 per cent by end June 2013, 24.00 per cent by end September 2013, 23.50 per cent by end December 2013, and 23.00 per cent by end March 2014 of their DTL as on the last Friday of the second preceding fortnight.

3. As per extant instructions, banks may shift investments to/from 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. In order to enable banks to shift their SLR securities from the HTM category to AFS/HFT once in each quarter as indicated in paragraph 2 above, it has been decided to allow such shifting at the beginning of each quarter during 2013-14.

Yours faithfully

(Chandan Sinha)
Chief General Manager - in - Charge

Extract from Monetary Policy Statement 2013 - 14 announced on May 3, 2013

SLR Holdings under Held to Maturity Category

84. In terms of extant instructions issued in September 2004, banks are permitted to exceed the limit of 25 per cent of total investments under HTM category, provided the excess comprises only of SLR securities and the total SLR securities held in the HTM category is not more than 25 per cent of their demand and time liabilities (DTL) as on the last Friday of the second preceding fortnight. This relaxation was allowed taking into account the requirement of maintenance of SLR of 25 per cent of DTL under Section 24 of the Banking Regulation Act, 1949 at that time. The SLR requirement has since been brought down to 23 per cent of DTL. Accordingly, it is proposed that:

• banks may exceed the present limit of 25 per cent of total investments under the HTM category provided:

(a) the excess comprises only of SLR securities; and

(b) the total SLR securities held in the HTM category is not more than 23 per cent of their DTL as on the last Friday of the second preceding fortnight, *i.e.*, in alignment with the current SLR requirement.

This realignment from 25 per cent to 23 per cent, in line with the recommendations of the Working Group on Government Securities and Interest Rate Derivatives Markets, would be effected by way of reduction of at least 50 bps every quarter, beginning with the quarter ending June 2013.

Detailed guidelines will be issued separately.