

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

Dear Sir

Investment in unlisted Non-SLR securities by Primary (Urban) Co-operative Banks

Please refer to paragraphs 67 and 68 of the Annual Policy Statement for the year 2010-2011 (**extract enclosed**) regarding investment in unlisted Non-SLR debt securities (both primary and secondary market) by banks.

2. In this connection, please refer to paragraph 2 (iii) (b) of our Circular [UBD.\(PCB\) BPD.Cir.No. 46/16.20.000/2008-09](#) dated January 30, 2009 on investments in Non-SLR securities by Primary (Urban) Co-operative Banks (UCBs), in terms of which investments in unlisted securities (subject to the minimum rating prescribed) should not exceed 10 percent of the total Non-SLR investments at any time. Where UCBs have already exceeded the said limit, no further investment in such securities will be permitted.

3. Since there is a time lag between issuance and listing of securities, which are proposed to be listed but not listed at the time of subscription, UCBs may not be able to participate in primary issues of Non-SLR securities. In view of the above, it has now been decided that investment in Non-SLR debt securities (both primary and secondary market) by UCBs where the security is proposed to be listed in the Exchange(s) may be considered as investment in listed security at the time of making investment. However, if such security is not listed within the period specified, the same will be reckoned for the 10 percent limit specified for unlisted Non-SLR securities. In case such investments included under unlisted Non-SLR securities lead to a breach of 10 percent limit, the bank would not be allowed to make further investments in Non-SLR securities (both primary and secondary market) till such time it's investment in unlisted securities comes within the limit of 10 percent.

Yours faithfully,

(A. Udgata)
Chief General Manager

Extract of Paragraphs 67 and 68 of the Annual Policy Statement for the year 2010-11

Investment in Unlisted Non-SLR Securities

67. In terms of extant instructions, banks' investments in unlisted non-SLR securities should not exceed 10 per cent of their total investments in non-SLR securities as on March 31 of the previous year. Since there is a time lag between issuance and listing of security, banks may not be able to participate in primary issues of non-SLR securities, which are proposed to be listed but not listed at the time of subscription. In view of the above, it is proposed that:

- investment in non-SLR debt securities (both primary and secondary market) by banks where the security is proposed to be listed on the Exchange(s) may be considered as investment in listed security at the time of making investment.

68. If such security, however, is not listed within the period specified, the same will be reckoned for the 10 per cent limit specified for unlisted non-SLR securities. In case such investment included under unlisted non-SLR securities lead to a breach of the 10 per cent limit, the bank would not be allowed to make further investment in non-SLR securities (both primary and secondary market, including unrated bonds issued for financing infrastructure activities) till such time the limit is reached.