भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

**RBI/2009-10/96**
UBD.PCB. MC. No.6/09.18.201 / 2009-10 July 1, 2009

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

Dear Sir/Madam,

**Prudential Norms on Capital Adequacy – Master Circular -UCBs**

Please refer to our Master Circular UBD.PCB.MC.No. 6 / 09.18.201 / 2008-09 dated July 1, 2008 on the captioned subject (available on RBI website www.rbi.org.in). The enclosed Master Circular consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2009

Yours faithfully,

(A.K Khound)
Chief General Manager-in-Charge.

Encl: As above

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# MASTER CIRCULAR
# ON CAPITAL ADEQUACY

## Contents

# CAPITAL ADEQUACY

## Introduction

Capital acts as a buffer in times of crisis or poor performance by a bank. Sufficiency of capital also instils depositors' confidence. As such, adequacy of capital is one of the pre-conditions for licensing of a new bank as well as its continuance in business.

## 2 Statutory Requirements

In terms of the provisions contained in Section 11 of Banking Regulation Act (AACS), no co-operative bank shall commence or carry on banking business unless the aggregate value of its paid up capital and reserves is not less than one lakh of rupees. In addition, under Section 22 (3) (d) of the above Act, the Reserve Bank prescribes the minimum entry point capital (entry point norms) from time to time, for setting-up of a new Primary (Urban) Cooperative Bank.

## 3 Share linking to Borrowings

Traditionally, Primary (Urban) Cooperative Banks have been augmenting their share capital by linking the same to the borrowings of the members. The Reserve Bank has prescribed the following share linking norms:

(i) 5% of the borrowings, if the borrowings are on unsecured basis.

(ii) 2.5% of the borrowings, in case of secured borrowings.

(iii) In case of secured borrowings by SSIs, 2.5% of the borrowings, of which 1% is to be collected initially and the balance of 1.5% is to be collected in the course of next 2 years.

The above share linking norm may be applicable for member's shareholdings upto the limit of 5% of the total paid up share capital of the bank. Where a member is already holding 5% of the total paid up share capital of an UCB, it would not be necessary for him/her to subscribe to any additional share capital on account of the application of extant share linking norms. In other words, a borrowing member may be required to hold shares for an amount that may be computed as per the extant share linking norms or for an amount that 5% of the total paid up share capital of the bank, whichever is lower.

## 4 Capital Adequacy Norms -

The traditional approach to sufficiency of capital does not capture the risk elements in various types of assets in the balance sheet as well as in the off-balance sheet business and compare the capital to the level of the assets.

The Basel Committee on Banking Supervision* had published the first Basel Capital Accord (popularly called as Basel I framework ) in July, 1988 prescribing minimum capital adequacy requirements in banks for maintaining the soundness and stability of the International Banking System and to diminish existing source of competitive inequality among international banks. The basic features of the Capital Accord of 1988 are as under:

(i) Minimum Capital Requirement of 8 % by end of 1992.

(ii) Tier approach to capital :

- o Core Capital: Equity, Disclosed Reserves
- o Supplementary Capital: General Loan Loss Reserves, Other Hidden Reserves, Revaluation Reserves, Hybrid Capital Instruments and Subordinate Debts
- o 50% of the capital to be reckoned as core capital.

(iii) Risk Weights for different categories of exposure of banks ranging from 0 % to 100 % depending upon the riskiness of the assets. While commercial loan assets had a risk weight of 100%, inter-bank assets were assigned 20% risk weight; sovereign paper carried 0 % risk weight

Further, vide 1996 amendment to the original Basel Accord, capital charge was prescribed for market related exposures.

* *The Basel Committee is a committee of bank supervisors drawn from 13 member countries (Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, The*

*Netherlands, Spain, Sweden, Switzerland, United Kingdom, United States of America). It was founded in 1974 to ensure international cooperation among a number of supervisory authorities. It usually meets at the Bank for International Settlements in Basel, Switzerland where its permanent Secretariat is located.*

## 5 Capital to Risk Asset Ratio (CRAR) for UCBs:

5.1 CRAR framework, as advocated by Basel Accord, has been adopted by most of the regulatory authorities as the basis of measurement of capital adequacy, which takes into account the element of risk associated with various types of assets reflected in the balance sheet as well as in respect of off-balance sheet items and the level of capital held by the banks. RBI introduced a minimum CRAR of 8% in 1992, for the commercial banks based on the recommendations of the Committee on Financial Sector Reforms (Narsimham Committee I), in a phased manner.

5.2 The Reserve Bank had constituted a High Power Committee on Urban Cooperative Banks (Chairman: Shri K. Madhava Rao) in May 1999 to review their performance and to suggest necessary measures to strengthen them. The committee felt that the continued financial stability of UCBs could not be ensured unless they were subjected to the CRAR discipline. The committee recommended that CRAR norms should be implemented in respect of UCBs on account of the following reasons:

i) CRAR serves as a buffer, which can absorb the unforeseen losses a UCB may incur in future;

ii) Primary Urban Cooperative Banking sector is an important segment of the financial system and exclusion of this segment from CRAR discipline would undermine the stability of the whole system; and

iii) Primary Urban Cooperative Banks perform the same banking functions as commercial banks and are subject to similar risks. To exempt UCBs from the CRAR discipline would, therefore, be untenable.

5.3 Pursuant to the recommendations of the High Power Committee ( Madhavrao Committee), UCBs were brought under the CRAR discipline with effect form March 31, 2002, in a phased manner. Accordingly, UCBs were advised to adhere to capital adequacy standards over a period of three years as indicated below:

Table 1

| **Date** | **Scheduled UCBs** | **Non-Scheduled UCBs.** |
|---|---|---|
| 31.03. 02 | 8% | 6% |
| 31.03. 03 | 9% | 7% |
| 31.03. 04 | As applicable to commercial banks i.e. 9% | 9% |
| 31.03.05 | As applicable to commercial banks i.e., 9% | As applicable to commercial banks |

5.4 Essentially, under the capital adequacy framework, the balance sheet assets, and off-balance sheet items have been assigned weights according to the prescribed risk weights as indicated in Annex I. The value of each asset/item shall be multiplied by the relevant weights to arrive at the risk-adjusted values of assets and of off-balance sheet items. The aggregate will be taken into account for reckoning the minimum capital ratio.

Primary Urban Cooperative Banks are required to maintain minimum ‘Capital Funds’ equivalent to the prescribed ratio on the aggregate of risk weighted assets and other off-balance sheet exposures on an **ongoing basis**.

## 6 Capital Funds

6.1 It may be noted that 'Capital Funds' for the purpose of capital adequacy standard consist of both Tier I and Tier II Capital as defined in the following paragraphs.

## 6.2 Tier I capital

Tier I would include the following items**:**

(i) Paid-up share capital collected from regular members having voting rights

(ii) Contributions received from associate / nominal members where the bye-laws permit allotment of shares to them and provided there are restrictions on withdrawal of such shares, as applicable to regular members

(iii) Contribution / non-refundable admission fees collected from the nominal and associate members which is held separately as 'reserves' under an appropriate head since these are not refundable.

(iv) Perpetual Non-Cumulative Preference Shares (PNCPS)..

(v) Free Reserves as per the audited accounts. Reserves, if any, created out of revaluation of fixed assets or those created to meet outside liabilities should not be included in the Tier I Capital. Free reserves shall exclude all reserves / provisions which are created to meet anticipated loan losses, losses on account of fraud etc., depreciation in investments and other assets and other outside liabilities. For example, while the amounts held under the head "Building Fund" will be eligible to be treated as part of free reserves, "Bad and Doubtful Reserves" shall be excluded.

(vi) Capital Reserve representing surplus arising out of sale proceeds of assets.

(vii) Innovative Perpetual Debt Instruments*

(viii) Any surplus (net) in Profit and Loss Account i.e. balance after appropriation towards dividend payable, education fund, other funds whose utilisation is defined, asset loss, if any, etc.

*** Guidelines on issue of Innovative Perpetual Debt Instruments are furnished in Annex of circular UCB.PCB.Cir.No. 39 / 09.16.900 / 2008-09 dated January 23, 2009.**

**NOTE:** (*i) Amount of intangible assets, losses in current year and those brought forward from previous periods, deficit in NPA provisions, income* *wrongly recognized on non performing assets , provision required for liability devolved on bank, etc. will be deducted from Tier I Capital.*

*(ii) For a Fund to be included in the Tier I Capital, the Fund should satisfy two criteria viz., the Fund should be created as an appropriation of net profit and should be a free reserve and not a specific reserve. However, if the same has been created not by appropriation of profit but by a charge on the profit then this Fund is in effect a provision and hence will be eligible for being reckoned only as Tier II capital as defined below and subject to a limit of 1.25% of risk weight assets provided it is not attributed to any identified potential loss or diminution in value of an asset or a known liability.*

### 6.3 Tier II Capital

Tier II capital would include the following items:

#### 6.3.1 Undisclosed Reserves

These often have characteristics similar to equity and disclosed reserves. They have the capacity to absorb unexpected losses and can be included in capital, if they represent accumulation of profits and not encumbered by any known liability and should not be routinely used for absorbing normal loss or operating losses.

#### 6.3.2 Revaluation Reserves

These reserves often serve as a cushion against unexpected losses, but they are less permanent in nature and cannot be considered as 'Core Capital'. Revaluation reserves arise from revaluation of assets that are undervalued in the bank's books. The typical example in this regard is bank premises and marketable securities. The extent to which the revaluation reserves can be relied upon as a cushion for unexpected losses depends mainly upon the level of certainty that can be placed on estimates of the market value of the relevant assets, the subsequent deterioration in values under difficult market conditions or in a forced sale, potential for actual liquidation of those values, tax consequences of revaluation, etc. Therefore, it would be prudent to consider revaluation reserves at a discount of 55 % when determining their value for inclusion in Tier II Capital i.e. only 45% of revaluation reserve should be taken for inclusion in Tier II Capital. Such reserves will have to be reflected on the face of the balance sheet as revaluation reserves.

#### 6.3.3 General Provisions and Loss Reserves

These would include such provisions of general nature appearing in the books of the bank which are not attributed to any identified potential loss or a diminution in value of an asset or a known liability. Adequate care must be taken to ensure that sufficient provisions have been made to meet all known losses and foreseeable potential losses before considering any amount of general provision as part of Tier II capital as indicated above. To illustrate : General provision for Standard Assets, excess provision on sale of NPAs etc. could be considered for inclusion under this category. Such provisions which are considered for inclusion in Tier II capital will be admitted upto 1.25% of total weighted risk assets.

**NOTE:** Additional *specific provisions for NPAs may be used by banks for netting off from Gross NPAs to arrive at the Net NPAs and such provisions cannot be reckoned for Tier II capital. Additional general provisions (floating provisions) for bad debts i.e., provisions not earmarked for any specific loan impairments (NPAs) may be used either for netting off of gross NPAs or for inclusion in Tier II capital but cannot be used on both counts.*

#### 6.3.4 Investment Fluctuation Reserve

Balance, if any, in the Investment Fluctuation Reserve Fund of the bank.

#### 6.3.5 Hybrid Debt Capital Instruments

Under this category, there are a number of capital instruments, which combine certain characteristics of equity and certain characteristics of debt. Each has a particular feature which can be considered to affect its qualification as capital. Where these instruments have close similarities to equity, in particular, when they are able to support losses on an ongoing basis without triggering liquidation, they may be included in Tier II capital. The instruments are as follows:

(i) Tier II Preference Shares

Primary (Urban) Cooperative Banks are permitted to issue Perpetual Cumulative Preference Shares (PCPS), Redeemable Non Cumulative Preference Shares (RNCPS) and Redeemable Cumulative Preference Shares (RCPS) subject to extant instructions as per Annex III

(ii) Long Term Deposits (LTDs) would be treated as lower Tier II capital

**6.3.6 Subordinated Debt**

To be eligible for inclusion in Tier II capital, the instrument should be fully paid-up, unsecured, subordinated to the claims of other creditors, free of restrictive clauses and should not be redeemable at the initiative of the holder or without the consent of the bank's supervisory authorities. They often carry a fixed maturity and as they approach maturity, they should be subjected to progressive discount for inclusion in Tier II capital. Instruments with an initial maturity of less than 5 years or with a remaining maturity of one year should not be included as part of Tier II capital. Subordinated debt instruments will be limited to 50 percent of Tier I capital.

**Other Conditions**

(i) PNCPS should not exceed 20% of Tier I capital (excluding PNCPS).

(ii)Long Term Deposit being lower Tier II capital should not exceed 50% of Tier I capital and that total Tier II should not exceed Tier I capital.

(iii) All the components of Tier II capital mentioned above except Long Term Deposits are to be considered as upper Tier II capital.

(iv) It may be noted that the total of Tier II elements will be limited to a maximum of 100 percent of total Tier I elements for the purpose of compliance with the norms. This restriction is kept in abeyance for five years i.e., upto March 31, 2013 for banks that are having CRAR less than the prescribed 9% in order to give time to the banks to raise Tier I capital. In other words, Tier II capital would be reckoned as capital funds for capital adequacy purpose even if a bank does not have Tier I capital. However, during this period, for the purpose of capital adequacy requirement, lower Tier II capital alone would be restricted to 50% of the prescribed CRAR and the progressive discount in respect of Tier II capital would be applicable.

## 7. Capital for Market Risk:

7.1 The Basel Committee on Banking Supervision (BCBS) had issued an amendment to the Capital Accord in 1996 to incorporate market risks. It contains comprehensive guidelines to provide explicit capital charge for market risks. Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices. The market risk positions, which are subject to capital charge are as under:

- The risks pertaining to interest rate related instruments and equities in the trading book; and
- Foreign exchange risk (including open position in precious metals) throughout the bank (both banking and trading books).

7.2 As an initial step towards prescribing capital requirement for market risks, UCBs were advised to assign an additional risk weight of 2.5 per cent on investments. It may, however, be noted that the additional risk weights are clubbed with the risk weight prescribed in the Annex and banks are not required to provide for the same separately.

## 8. Measures to augment capital funds

8.1 All UCBs are required to endeavour to strengthen their capital funds and achieve the prescribed level of CRAR. They should review the existing level of capital funds vis-à-vis the prescribed level and chalk out strategy to achieve the requisite ratio, where it is not already attained.

8.2 Instruments for augmenting capital funds

Based on the recommendations of the Working Group constituted to examine the issues concerning raising of capital by Primary (Urban) Cooperative Banks, they have been permitted to issue the following financial instruments :

(A) **Preference Shares**

Preference shares may be of the following types

(i) Perpetual Non-Cumulative preference shares (PNCPS)
(ii) Perpetual Cumulative preference shares (PCPS)
(iii) Redeemable Non-Cumulative preference shares (RNCPS)
(iv) Redeemable Cumulative preference shares (RCPS)

The detailed guidelines are given in Annex-III. While Perpetual Non-Cumulative Preference Shares (PNCPS) would be eligible to be treated as Tier I capital, Perpetual Cumulative Preference Shares (PCPS), Redeemable Non-Cumulative Preference Shares (RNCPS) and Redeemable Cumulative Preference Shares (RCPS) would be eligible to be treated as Tier II capital. UCBs, however, are not permitted to subscribe to the preference shares of other UCBs.

(B) **Long Term Deposits**

UCBs may be permitted to raise term deposits for a minimum period of not less than 5 years, which will be eligible to be treated as Tier II capital. The detailed guidelines are given in the Annex - IV.

Primary Urban Cooperative Banks may issue preference shares and Long Term Deposits subject to compliance with their bye-laws / provisions of the Co-operative Societies Act under which they are registered and with the approval of the concerned Registrar of Co-operative Societies / Central Registrar of Cooperative Societies, wherever applicable and the Reserve Bank of India. The Central / State Governments are being requested separately to make necessary amendments to Multi-State Cooperative Societies Act / Co-operative Societies Acts / Rules, wherever necessary.

## 9 Returns

Banks should furnish to the respective Regional Offices annual return indicating (i) capital funds, (ii) conversion of off-balance sheet/non-funded exposures, (iii) calculation of risk weighted assets, and (iv) calculation of capital funds and risk assets ratio. The format of the return is given in the Annex II. The returns should be signed two officials who are authorized to sign the statutory returns submitted to Reserve Bank.

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**Annex I**

| Prudential Norms – Risk Weights for computation of CRAR<br>(Vide para no 5.4 ) | |
|---|---|
| | |
| I. Domestic Operations | |
| A. Funded Risk Assets. | |
| **ASSET ITEMS** | **Risk weight** |
| | |
| I. **BALANCES** | |
| i. Cash (including foreign currency notes) Balances with RBI | 0 |
| ii. Balances in current account with UCBs | 20 |
| iii. Balances in current account with other banks | 20 |
| | |
| **II. INVESTMENTS** | |
| i. Investment in Government Securities | 2.5 |
| ii. Investment in other Approved Securities guaranteed by Central Government /State Government | 2.5 |
| iii. Investment in Other Securities where payment of interest and repayment of principal are guaranteed by Central Govt. (include investment in Indira/Kisan Vikas Patras and investments in bonds & debentures where payment of interest and repayment of principal is guaranteed by Central Govt./State Government) | 2.5 |
| iv. Investment in other securities where payment of interest and repayment of principal are guaranteed by State Govt. | 2.5 |
| Note : Investment in securities where payment of interest or repayment of principal is guaranteed by State Government and which has become a non-performing investment, will attract 102.5 percentage risk weight (w.e.f. March 31, 2006) | |
| v. Investment in other Approved Securities where payment of interest and repayment of principal is not guaranteed by Central / State Govt. | 22.5 |

| | | |
|---|---|---|
| v. | Investment in Govt. guaranteed securities of government undertakings which do not form part of the approved market borrowing Program | 22.5 |
| vi. | (a) Claims on commercial banks, District Central Co-operative Banks, and State Co-operative Banks such as fixed deposits, certificates of deposits, etc.<br>(b) Claims on other Urban Co-operative banks such as term/fixed deposits | 20 |
| vii. | Investments in bonds issued by All India Public financial Institutions. | 102.5 |
| viii. | Investments in bonds issued by Public Financial Institutions for their Tier-II Capital | 102.5 |
| ix. | All Other Investments<br>Note : Intangible assets and losses deducted from Tier I capital should be assigned zero weight | 102.5 |
| ***x.*** | The off balance sheet (net) position in 'WI' securities, scrip-wise. | 2.5 |
| **III.** | **LOANS AND ADVANCES.** | |
| i. | Loans and advances including bills purchased and discounted and other credit facilities guaranteed by GOI | 0 |
| ii. | Loans guaranteed by State Govt | 0 |
| iii. | A State Government guaranteed advance which has become a non performing advance (w.e.f 31.03.06) | 100 |
| iv. | Loans granted to PSUs of GOI | 100 |
| v. | Real Estate Exposure<br>(a) Mortgaged residential housing loan to individuals:<br>• upto Rs 30.00 lakh ( LTV* ratio =or<75 %)<br>• above Rs 30.00 (LTV ratio =or<75 %).<br>• Irrespective of the loan amount (LTV ratio >75 %).<br>(b) Commercial real estate<br>(c)Co-op / group housing societies and Housing Board and for any other purpose. | <br><br>50<br>75<br>100<br>100<br>100 |
| | ** LTV ratio should be computed as a percentage of total outstanding in the account (viz. "principal +accrued interest + other charges pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the bank in the denominator* | |

| | |
|---|---|
| vi. <u>Retail Loans and Advances</u><br>(a) consumer credit including personal loan | 125 |
| (b) loans up to Rs.1 lakh against gold and silver ornaments | 50 |
| (c) all other loans and advances including educational loan. | 100 |
| (d) Loans extended against primary/collateral security of shares/debentures | 127.5 |
| vii. Leased Assets<br>a. Loans and advances for eligible activities to NBFCs engaged in hire purchase/ leasing activities now classified as Asset Finance Companies<br>b. loans and advances for eligible activities to Non-Deposit Taking Systemically Important Non-Banking Finance Companies (NBFC- ND -SI) engaged in hire purchase/ leasing activities | 100<br>125 |
| viii. Advances covered by DICGC / ECGC<br>Note : The risk weight of 50% should be limited to the amount guaranteed and not the entire outstanding balance in the accounts. In other words, the outstanding in excess of the amount guaranteed, will carry 100% risk weight. | 50 |
| ix. Advances for term deposits, Life policies, NSCs, IVPs and KVPs where adequate margin is available | 0 |
| x. Loans to staff of banks, which are fully covered by superannuation benefits and mortgage of flat / house | 20 |
| Notes : While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, banks may `net-off' against the total outstanding exposure of the borrower - | |
| (a) advances Collateralised by cash margins or deposits, | |
| (b) credit balances in current or other accounts of the borrower which are not earmarked for specific purposes and free from any lien, | |
| (c) in respect of any assets where provisions for depreciation or for bad debts have been made, | |
| (d) claims recd. from DICGC / ECGC and kept in a separate a/c pending adjustment in case these are not adjusted against the dues outstanding in the respective a/cs. | |
| IV. **Other Assets** | |
| 1.Premises, furniture and fixtures | 100 |
| 2. Other assets | |
| (i) Interest due on Government securities | 0 |

| | |
|---|---|
| (ii) Accrued interest on CRR balances maintained with RBI | 0 |
| (iii) Interest receivable on staff loans | 20 |
| (iv) Interest receivable from banks | 20 |
| (v)All other assets | 100 |
| V. **Market risk on open Position** | |
| 1. Market risk on foreign exchange open position (Applicable to Authorised Dealers only) | 100 |
| 2. Market risk on open gold position | 100 |

**B. Off-Balance Sheet Items**

The credit risk exposure attached to off-Balance Sheet items has to be first calculated by multiplying the face amount of each of the off-Balance Sheet items by `credit conversion factors' as indicated in the table below. This will then have to be again multiplied by the weights attributable to the relevant counter-party as specified above.

| Sl.No. | Instruments | Credit conversion factor (%) |
|---|---|---|
| 1 | Direct credit substitutes e.g. general guarantees of indebtedness (including stand L/Cs serving as financial guarantees for loans and securities) and acceptances (including endorsements with character of acceptance) | 100 |
| 2 | Certain transaction - related contingent items (e.g. warranties and standby L/Cs related to particular transactions) | 50 |
| 3 | Short-term self-liquidating trade-related contingencies (such as documentary credits collateralised by the underlying shipments) | 20 |
| 4 | Sale and repurchase agreement and asset sales with recourse, where the credit risk remains with the bank. | 100 |
| 5 | Forward asset purchase, forward deposit and partly paid shams and securities, which represent commitments with certain draw down | 100 |
| 6 | Note issuance facilities and revolving underwriting facilities | 50 |
| 7 | Other commitments (e.g., formal standby facilities and credit lines) with an original maturity of over one year. | 50 |
| 8 | Similar commitments with an original maturity upto one year, or which can be unconditionally cancelled at any time. | 0 |
| 9 | (i) Guarantees issued by banks against the counter guarantees of other banks | 20 |

| | | |
|---|---|---|
| | (ii) Rediscounting of documentary bills accepted by banks. Bills discounted by banks which have been accepted by another bank will be treated as a funded claim on a bank. | 20 |
| | *Note : In these cases, banks should be fully satisfied that the risk exposure is, in fact, on the other bank.* Bills purchased / discounted / negotiated under LC (where the payment to the beneficiary is not made 'under reserve') will be treated as an exposure on the LC issuing bank and not on the borrower. All clean negotiations as indicated above above, will be assigned the risk weight is normally applicable to inter-bank exposures, for capital adequacy purposes. In the case of negotiations 'under reserve' the exposure should be treated as on the borrower and risk weight assigned accordingly. | |
| 10 | Aggregate outstanding foreign exchange contracts of original maturity -<br>Less than 14 calendar days<br>more than 14 days but less than one year<br>for each additional year or part thereof | <br><br>0<br>2<br>3 |
| | Notes :<br>While calculating the aggregate of funded and non-funded exposure of a borrower for the purpose of assignment of risk weight, bank may `net-off' against the total outstanding exposure of the borrower credit balances in current or other accounts which are not earmarked for specific purposes and free from any lien.<br>After applying the conversion factor as indicated above, the adjusted off-Balance Sheet value shall again be multiplied by the weight attributable to the relevant counter-party as specified. | |

*Note : At present, Primary Urban Cooperative Banks may not be undertaking most of the off balance sheet transactions. However, keeping in view their potential for expansion, risk-weights are indicated against various off balance sheet items, which, perhaps Primary Urban Cooperative Banks may undertake in future.*

II. Additional Risk Weights in respect of Overseas Operations of Banks (Applicable to Authorised Dealers only)

1. Foreign Exchange and Interest Rate related Contracts

(i) Foreign exchange contracts include the following :
   (a) Cross currency interest rate swaps
   (b) Forward foreign exchange contracts
   (c) Currency futures

(d) Currency options purchased
(e) Other contracts of a similar nature

(ii) As in the case of other off-Balance Sheet items, a two stage calculation prescribed below shall be applied :

(a) Step 1 - The notional principal amount of each instrument is multiplied by the conversion factor given below :

| Original Maturity | Conversion Factor |
|---|---|
| Less than one year | 2% |
| One year and less than two years | 5% (i.e. 2% + 3%) |
| For each additional year | 3% |

(b) Step 2 - The adjusted value thus obtained shall be multiplied by the risk weight allotted to the relevant counter - party as given in I -A above.

2. Interest Rate Contracts

(iii) Interest rate contracts include the following :
(a) Single currency interest rate swaps
(b) Basic swaps
(c) Forward rate agreements
(d) Interest rate futures
(e) Interest rate options purchased
(f) Other contracts of a similar nature

(iv) As in the case of other off-Balance Sheet items, a two stage calculation prescribed below shall be applied :

(a) Step 1 - The notional principal amount of each instrument is multiplied by the percentage given below :

| Original Maturity | Conversion Factor |
|---|---|
| Less than one year | 0.5% |
| One year and less than two years | 1.0% |
| For each additional year | 1.0% |

(b) Step 2 - The adjusted value thus obtained shall be multiplied by the risk weightage allotted to the relevant counter-party as given in I -A above.

*Note : At present, most of the Primary Urban Cooperative Banks are not carrying out forex transactions. However, those who have been given A.D's licence may undertake transactions mentioned above. In the event of any uncertainly in assigning risk weight against a specific transaction, RBI clarification may be sought for.*

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**Annex II**

**(Proforma for Returns)**
**( Vide Para No. 9)**

**Name of the Bank:**

**Statement of Capital Funds, Risk Assets / Exposures and Risk Asset Ratio**

**1. Part A - Capital Fund and Risk Assets Ratio**

*(Rs. in Lakh)*

| | | | |
|---|---|---|---|
| **I** | **Capital Funds** | | |
| A | Tier I Capital elements | | |
| | (a) Paid-up Capital | | |
| | Less : Intangible assets and losses | | |
| | Net Paid-up Capital | | |
| | (b) Reserves & Surplus | | |
| | 1. Statutory reserves : | | |
| | 2. Capital reserves (see note below) | | |
| | 3. Other reserves | | |
| | 4. Surplus in Profit & Loss Account* | | |
| | Total Reserves & Surplus | | |
| | Total Capital Funds (a + b) | | |
| Notes : Capital reserves representing surplus on sales of assets and held in a separate account will be included | | | |
| | Revaluation reserves, general/floating provisions and specific provisions made for loan losses and other asset losses or diminution in the value of any assets will not be reckoned as Tier I capital funds. | | |
| * | In case of surplus in P & L Account [ not allocated and yet to be approved by AGM ] the following assumption may be made :<br>(a) The current year's surplus may be nationally arrived at to the extent recommended by the BOD to be allocated among various reserves/funds and retained in business.<br>(b) Where the BOD have not decided the distribution of the surplus, it may be notionally arrived at on the basis of last 3 years average. | | |
| **B** | **Tier II capital elements** | | |
| (i) | **Undisclosed reserves** | | |
| (ii) | Revaluation reserves | | |
| (iii) | General provisions and loss reserves # | | |
| (iv) | Investment Fluctuation Reserves / Funds | | |
| (v) | Hybrid debt capital instruments | | |
| (vi) | Subordinated debts | | |
| | Total | | |
| | **Total of I (A + B)** | | |

| | | | |
|---|---|---|---|
| # Includes General Provision on standard assets (subject to restrictions) | | | |
| **II** | **Risk Assets** | | |
| (a) | Adjusted value of funded risk assets i.e. on Balance Sheet items (to tally with Part `B') | | |
| (b) | Adjusted value of non-funded and off-Balance Sheet items (to tally with Part `C') | | |
| (c) | Total risk-weighted assets (a+b) | | |
| **III** | **Percentage of capital funds to risk-weighted assets I / II x 100** | | |

**2. Part B – Weighed Assets i.e. On-Balance Sheet Items**

*(Rs. in lakh)*

| | **Book Value** | **Risk weight** | **Risk adjusted value** |
|---|---|---|---|
| **1** | 2 | 5 | 6 |
| I.CASH & BANK BALANCES | | | |
| a) Cash in hand (including foreign currency notes) | | | |
| b) Balance with banks in India | | | |
| i) Balance with RBI | | | |
| ii)Balances with banks | | | |
| 1. Current account (in India and outside India) | | | |
| 2. Other accounts (in India and outside India) | | | |
| 3. Current Account balances with other primary co-operative banks | | | |
| II. Money at Call and Short Notice | | | |
| III. INVESTMENTS | | | |
| **a) Government and other approved Securities*** | | | |
| **b) Other (net of depreciation provided)** | | | |
| **IV. ADVANCES**** | | | |
| Loans and advances, bills purchased and discounted and other credit facilities | | | |
| a) Claim guaranteed by Govt of India | | | |
| b) Claims guaranteed by State Govt | | | |
| c) Claims on public sector undertakings of Government of India | | | |
| d) Claims on PSUs of State Governments | | | |
| **e) Others** | | | |
| **Notes :** *1. Netting may be done only for advances collateralised by cash margins in deposits and in respect of assets where provisions for depreciation for bad and* | | | |

| | | | |
|---|---|---|---|
| *doubtful debts have been made.*<br>*2. Equity investments in subsidiaries, intangible assets and losses deducted from Tier I capital should be assigned zero weight.* | | | |
| V. Premises (net of depreciation provided) | | | |
| VI. Furniture and fixtures (net of depreciation provided) | | | |
| VII. Other assets (including branch adjustments, non-banking assets, etc.) | | | |
| Total | | | |
| * *Provision, if any, made for depreciation in investments in Government and other approved securities may be indicated by way of a footnote.*<br>** *Provisions held, either general or specific, for bad and doubtful debts and standard assets may be indicated by way of footnote.* | | | |

**3. Part C - Weighed Non-funded Exposures / Off-Balance Sheet Items**
**Each off-Balance Sheet item may be submitted in the format indicated below :**

(Rs. In Lakh)

| Nature of Item | Book Value | Conversion Factor | Equivalent Value | Risk Weight | Adjusted Value |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Note : *Netting may be done only for advances collateralised by cash margins or deposits and in respect of assets where provisions for depreciation or for bad and doubtful debts.*

**Annex-III**

**<u>Guidelines to Primary (Urban) Cooperative Banks (UCBs) on Issue of Preference Shares</u>**

## A. Perpetual Non-Cumulative Preference Shares (PNCPS)

UCBs may issue Perpetual Non-Cumulative Preference Shares (PNCPS) with the prior permission of the respective Registrar / Central Register of Cooperative Societies (RCS / CRCS) granted in consultation with the Reserve Bank. PNCPS should be issued at par. The amounts raised through PNCPS which comply with the following terms and conditions will be eligible to be treated as Tier I capital.

### 2. Terms of Issue

#### 2.1 *Limits*

The outstanding amount of PNCPS would be eligible for inclusion in Tier I capital and should not exceed 20 % of total Tier I capital excluding PNCPS at any point of time. The above limit will be based on the amount of Tier I capital after deduction of goodwill and other intangible assets but before the deduction of investments.

#### 2.2 *Amount*

The amount of PNCPS to be raised may be decided by the Board of Directors of banks.

#### 2.3 *Maturity*

The PNCPS shall be perpetual.

#### 2.4 *Options*

(i) PNCPS shall not be issued with a 'put option' or 'step up option'.

(ii) However, banks may issue PNCPS with a call option at a particular date subject to following conditions :

(a) The call option on the instrument is permissible after the instrument has run for at least ten years; and

(b) Call option shall be exercised only with the prior approval of Reserve Bank of India (Urban Banks Department). While considering the proposals received from banks for exercising the call option, the Reserve Bank would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

### 2.5 *Classification in the Balance Sheet*

These instruments will be classified as 'capital' and shown separately in the Balance Sheet.

### 2.6 *Dividend*

The rate of dividend payable to the investors will be a fixed rate or a floating rate referenced to a market determined rupee interest benchmark rate

### 2.7 *Payment of Dividend*

(a) The issuing bank shall pay dividend subject to availability of distributable surplus out of current year's earnings, and if

(i) The bank's CRAR is above the minimum regulatory requirement prescribed by the Reserve Bank;

(ii) The impact of such payment does not result in bank's capital to risk weighted assets ratio (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by the Reserve Bank; and

(iii) While paying dividends, it may be ensured that the current year balance sheet does not show any accumulated losses

(b) The dividend shall not be cumulative. i.e., dividend missed in a year will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum. When dividend is paid at a rate less than the prescribed rate, the unpaid amount will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum.

(c) All instances of non-payment of dividend / payment of a dividend at a lesser rate than prescribed in consequence of conditions as at (a) above should be reported by the issuing banks to the Chief General Managers-in-Charge of Urban Banks Department, Central Office of the Reserve Bank of India, Mumbai.

### 2.8 *Seniority of Claim*

The claims of the investors in PNCPS shall be senior to the claims of investors in equity shares and subordinated to the claims of all other creditors and the depositors.

### 2.9 *Voting Rights*

The investors in PNCPS will not be eligible for any voting rights.

### 2.10 *Other Conditions*

(a) PNCPS should be fully paid-up, unsecured, and free of any restrictive clauses.

(b) The PNCPS may be rated at the discretion of the issuer.

(c) Banks should comply with the terms and conditions, if any, stipulated by other regulatory authorities in regard to issue of the PNCPS, provided they do not result in violation of any of the terms and conditions specified in these guidelines. Any instance of conflict, shall be brought to the notice of the RBI for seeking confirmation of the eligibility of the instrument for inclusion in Tier I capital.

## 3. **Compliance with Reserve Requirements**

(a) The funds collected for the issue and held by the bank pending finalization of allotment of the Tier I preference shares will have to be taken into account for the purpose of calculating reserve requirements.

(b) However, the total amount raised by the bank by issue of PNCPS shall not be reckoned as liability for calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will not attract CRR / SLR requirements.

## 4. **Reporting Requirements**

Banks issuing PNCPS shall submit a report to the Chief General Manager-in-charge, Urban Banks Department , Reserve Bank of India, Mumbai giving details of the capital raised, including the terms and conditions of issue as specified above together with a copy of the offer document soon after the issue is completed.

## 5. **Investment by Commercial Banks in perpetual non-cumulative preference shares issued by UCBs**

(a) Commercial banks can invest in PNCPS issued by the UCBs within the 10 % ceiling for unlisted securities or as prescribed by Department of

Banking Operations and Development (DBOD), Central Office, Reserve Bank of India, provided they are rated.

(b) The investments in PNCPS issued by UCBs will attract such risk weight for capital adequacy purposes, as may be prescribed by DBOD.

6. **Investment in / Grant of Advances Against Tier I Preference Shares**

UCBs should not invest in PNCPS of other banks; nor they should grant advances against the security of the PNCPS issued by them or other banks.

**7. Share linkage norms**

PNCPs held may be treated as shares for the purpose of compliance with extant share linking norms.

**B. Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)**

1. **Terms of Issue**

UCBs may issue Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS) with the prior permission of the respective Registrar / Central Register of Cooperative Societies (RCS / CRCS) granted in consultation with the Reserve Bank. These three instruments will be collectively referred to as Tier II preference shares. These Tier II preference shares should be issued at par. The amounts raised through the Tier II preference shares, which comply with the following terms and conditions, will be eligible to be treated as upper Tier II capital

2.1 ***Characteristics of the instruments***

The Tier II preference shares could be either perpetual (PCPS) or dated (RNCPS and RCPS) instruments with a fixed maturity of minimum 15 years.

2.2 ***Limits***

The outstanding amount of these instruments along with other components of Tier II capital shall not exceed 100% of Tier I capital at any point of time. The above limit will be based on the amount of Tier I capital after deduction of goodwill and other intangible assets but before the deduction of investments.

2.3 ***Amount***

The amount to be raised may be decided by the Board of Directors of banks.

2.4 ***Options***

(i) These instruments shall not be issued with a 'put option'.

(ii) However, banks may issue the instruments with a call option at a particular date subject to strict compliance with each of the following conditions :

(a) The call option on the instrument is permissible after the instrument has run for at least ten years; and

(b) Call option shall be exercised only with the prior approval of Reserve Bank of India (Urban Banks Department). While considering the proposals received from banks for exercising the call option, the Reserve Bank would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

2.5 ***Step-up Option***

The issuing bank may have a step-up option, which may be exercised only once during the whole life of the instrument, in conjunction with the call option, after the lapse of ten years from the date of issue. The step-up shall not be more than 100 bps. The limits on step-up apply to the all-in cost of the debt to the issuing banks.

2.6. ***Classification in the Balance Sheet***

These instruments will be classified as 'borrowings' and shown separately in the Balance sheet.

2.7 ***Coupon***

The coupon payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate

2.8. ***Payment of Coupon***

2.8.1 *The coupon will be payable only if*

(a) The bank's CRAR is above the minimum regulatory requirement prescribed by the Reserve Bank.

(b) The impact of such payment does not result in bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by the Reserve Bank.

(c) The bank does not have a net loss. For this purpose, the Net Loss is defined as either (i) the accumulated loss at the end of the previous financial year or (ii) the loss incurred during the current financial year.

(d) In the case of PCPS and RCPS the unpaid / partly unpaid coupon will be treated as a liability. The interest amount due and remaining unpaid may be allowed to be paid in later years subject to the bank complying with the above requirements.

(e) In the case of RNCPS, deferred coupon will not be paid in future years, even if adequate profit is available and the level of CRAR conforms to the regulatory minimum. The bank can however pay a coupon at a rate lesser than the prescribed rate, if adequate profit is available and the level of CRAR conforms to the regulatory minimum.

2.8.2. All instances of non-payment of interest / payment of interest at a lesser rate than prescribed rate should be notified by the issuing banks to the Chief General Managers-in-Charge of Urban Banks Department, Central Office of the Reserve Bank of India, Mumbai.

2.9. ***Redemption / repayment of redeemable preference shares included in Upper Tier II***

Redemption of these instruments at maturity shall be made only with the prior approval of the Reserve Bank of India (Urban Banks Department) subject inter alia to the following conditions :

(a) The bank's CRAR is above the minimum regulatory requirement prescribed by the Reserve Bank.

(b) The impact of such payment does not result in bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by the Reserve Bank.

2.10 ***Seniority of Claim***

The claims of the investors in these instruments shall be senior to the claims of investors in instruments eligible for inclusion in Tier I capital and subordinate to the claims of all other creditors including those in lower Tier II and the depositors. Amongst the investors of various instruments included in upper Tier II, the claims shall rank pari-passu with each other.

2.11 ***Voting Rights***

The investors in Tier II preference shares shall not be eligible for any voting rights.

2.12 ***Amortization for the purpose of computing CRAR***

The Redeemable Preference Shares (both cumulative and non-cumulative) shall be subjected to a progressive discount for capital adequacy purposes over the last five years of their tenor, as they approach maturity as indicated in the table below for being eligible for inclusion in Tier II capital.

| **Remaining Maturity of Instruments** | **Rate of Discount (%)** |
|---|---|
| Less than one year | 100 |
| One year and more but less than two years | 80 |
| Two years and more but less than three years | 60 |
| Three years and more but less than four years | 40 |
| Four years and more but less than five years | 20 |

2.13 ***Other Conditions***

(a) The Tier II preference shares should be fully paid-up, unsecured, and free of any restrictive clauses.

(b) The Tier II preference shares may be rated at the discretion of the issuer.

(c) Banks should comply with the terms and conditions, if any, stipulated by other regulatory authorities in regard to issue of the Tier II Preference Shares, provided they do not result in violation of any of the terms and conditions specified in these guidelines. Any instance of conflict shall be brought to the notice of the RBI for seeking confirmation of the eligibility of the instrument for inclusion in Tier II capital.

3. **Compliance with Reserve Requirements**

(a) The funds collected by the bank and held pending finalization of allotment of these instruments will have to be taken into account for the purpose of calculating reserve requirements.

(b) The total amount raised by a bank through the issue of these instruments shall be reckoned as liability for the calculation of net demand and time liabilities for the purpose of reserve requirements and, as such, will attract CRR / SLR requirements.

4. **Reporting Requirements**

UCBs issuing these instruments shall submit a report to the Chief General Manager-in-charge, Urban Banks Department, Reserve Bank of India, Mumbai giving details of the debt raised, including the terms and conditions of issue specified above together with a copy of the offer document soon after the issue is completed.

5. **Commercial Bank's investment in Tier II preference shares issued by UCBs**

(a) Commercial Banks may invest in Tier II preference shares issued by the UCBs within the 10% ceiling for unlisted securities or as prescribed by Department of Banking Operations and Development (DBOD), Central Office, Reserve Bank of India, provided they are rated

(b) Investments in Tier II preference shares will attract such risk weight for capital adequacy purposes, as may be prescribed by DBOD.

6. **Investment in / grant of advances against these instruments**

UCBs should not invest in Tier II preference shares issued by other banks; nor they should grant advances against the security of Tier II preference shares issued by them or other banks.

Annex - IV

**Guidelines to Primary (Urban) Co-operative Banks (UCBs) <u>on issuance of Long Term Deposits</u>**

## 1. Term of Issue

UCBs may issue Long Term Deposits (LTD) with the prior permission of the respective Registrar / Central Register of Cooperative Societies (RCS / CRCS) granted in consultation with the Reserve Bank. LTDs may be issued to members and non-members, including those outside the area of operations of the UCB concerned. There is no prohibition on existing shareholders subscribing to Long Term Deposits. The amounts raised through LTD, which comply with the following terms and conditions will be eligible to be treated as lower Tier II capital

### 2.1. Maturity

LTD should have a minimum maturity of not less than 5 years.

### 2.2. Limits

The outstanding amount of LTD, which is eligible to be reckoned as Tier II capital, will be limited to 50 percent of Tier I capital. The above limit will be based on the amount of Tier I capital after deduction of goodwill and other intangible assets but before the deduction of equity investments in subsidiaries, if any.

### 2.3. Amount

The amount to be raised may be decided by the Board of Directors of banks.

### 2. 4. Seniority of Claims

LTD will be subordinated to the claims of depositors and other creditors but would rank senior to the claims of shareholders, including holders of preference shares (both Tier I & Tier II). Among investors of instruments included in lower Tier II, the claims shall rank pari passu with each other.

### 2.5. Options

(a) LTD shall not be issued with a 'put option' or a 'step up' option.

(b) The 'call option' will be permissible and may be exercised after 5 years with prior permission of the Reserve Bank. While considering the proposals received from banks for exercising the call option the Reserve Bank would, among other things, take into consideration the bank's CRAR position both at the time of exercise of the call option and after exercise of the call option.

2.6. **Redemption / Prepayment**

Repayment of LTD at maturity shall be made only with the prior approval of the Reserve Bank of India (Urban Banks Department, Central Office) subject inter alia to the following conditions :

(i) The bank's CRAR is above the minimum regulatory requirement prescribed by the Reserve Bank.

(ii) The impact of such repayment does not result in bank's CRAR falling below or remaining below the minimum regulatory requirement prescribed by the Reserve Bank.

2.7. **Interest Rate**

LTD may bear a fixed rate of interest or a floating rate of interest referenced to a market determined rupee interest benchmark rate.

2.8. **DICGC Cover**

LTD will not be eligible for DICGC cover

2.9. **Progressive Discount**

These deposits will be subjected to a progressive discount for capital adequacy purposes as under :

| **Remaining Period of Maturity** | **Rate of Discount** |
|---|---|
| Less than one year | 100% |
| More than one year and Less than two years | 80% |
| More than two years and less than three years | 60% |
| More than three years and less than four years | 40% |
| More than four years and less than five years | 20% |

2.10. **Classification in the Balance Sheet**

These instruments will be classified as 'borrowings' and shown separately in the Balance Sheet.

## 3. Reserve Requirement

Total amount raised by a bank through the issue of LTD will be reckoned as a liability for the computation of net demand and time liabilities for the purpose of reserve requirements (CRR and SLR).

## 4. Reporting Requirements

Banks issuing such long term deposits shall submit a report to the Chief General Manager-incharge, Urban Banks Department, Reserve Bank of India, Mumbai giving details of the deposit raised, including the terms of issue specified as above.

## 5. Investment in / grant of advances against LTD

UCBs should not invest in LTD of other UCBs; nor they should grant advances against the security of LTD issued by them or by other banks

**Appendix**

**List of Circulars consolidated in the Master Circular.**

| No | Circular | Date | Subject. |
|---|---|---|---|
| 1 | UBD.PCB.Cir.No.73/09.14.000/2008-09 | 29.06.2009 | Prudential treatment of different types of provisions in respect of loan portfolios |
| 2 | UBD.PCB.Cir.No.61/09.18.201/2008-09 | 21.04.2009 | Instruments for augmenting capital funds |
| 3 | UBD.PCB.Cir.No.32/09.18.201/2008-09 | 13.01.2009 | Instruments for augmenting capital funds |
| 4 | UBD.PCB.Cir.No.29/09.11.600/2008-09 | 01.12.2008 | Review of Prudential Norms-Provision for Standard Assets & Risk weights for exposures to commercial real estate and NBFCs |
| 5 | UBD.PCB.Cir.No.4/09.18.201/2008.-09 | 15.07.2008 | Instruments for augmenting capital funds |
| 6 | UBD.PCB.Cir.No.53/13.05.000/07-08 | 16.06.08 | Claims secured by residential property-change in limits for risk weights. |
| 7 | UBD.PCB.Cir.No.31/09.11.600/07-08 | 29.01.08 | Prudential Norms for Capital Adequacy – Risk Weight for Educational Loans |
| 8 | UBD.PCB.Cir No.40 /13.05.000 / 2006-07 | 04.05.07 | Annual Policy Statement for the Year 2007-08-residential housing loans-reduction of risk weight |
| 9 | UBD(PCB).Cir.No. 39 / 13.05.000 | 30.04.07 | Annual Policy Statement for 2007-08-Loans against Gold/silver ornaments-reduction of risk weight |
| 10 | UBD(PCB).Cir.No.30/09.11.600/06-07 | 19.02.07 | Third Quarter Review of the Annual Statement on Monetary Policy for the year 2006-07 -Provisioning requirement for Standard Assets |
| 11 | UBD.BPD.Cir.No:7/09.29.000/2006-07 | 18.08.06 | 'When Issued' Transactions in Central Government Securities - Accounting and Related Aspects |
| 12 | UBD.PCB.Cir.No.55/09.11.600/05-06 | 01.06.06 | Annual Policy Statement for the Year 2006-07 -Risk weight on exposure to commercial real estate |
| 13 | UBD. (PCB). BPD. Cir. No. 46 / 13.05.000 / 2005-06 | 19.04.06 | Bills Discounted under LC - Risk Weight and Exposure Norms |
| 14 | UBD.PCB.Cir.No.9/13.05.00/05-06 | 09.08.05 | Risk Weight for Capital Market Exposure - |
| 15 | UBD.PCB.Cir.No.8/09.116.00/05-06 | 09.08.05 | Prudential Norms on Capital Adequacy – Risk Weight on Housing Finance / commercial real estate exposures |
| 16 | UBD.DS.Cir/No.44/13.05.00/04-05 | 15.04.05 | Maximum Limit on Advances -Exposures to individuals / group of borrowers |
| 17 | UBD.PCB.Cir.33 / 09.116.00 / 2004 | 05.01.05 | Risk Weight on Housing Finance and Consumer Credit |
| 18 | UBD.PCB.Cir.26/09.140.00/2004-05 | 01.11.04 | Prudential Norms – State Government Guaranteed Exposures |

| | | | |
|---|---|---|---|
| 19 | UBD.No.BPD.PCB.Cir .52/09.116.00/2003- | 15.06.04 | Risk Weight for Exposure to Public Financial Institutions (PFIs) |
| 20 | UBD.No.BPD.PCB.Cir . 37/13.05.00/03- | 16.03.04 | Discounting / Rediscounting of Bills by Banks |
| 21 | UBD.No.BPD.PCB.Cir .34/13.05.00/2003-04 | 11.02.04 | Maximum Limit on Advances - Limits on Credit Exposure to Individual/Group of borrowers-computation of capital funds |
| 22 | UBD.No.POT.PCB.CI R.18/09.22.01/200203 | 30.09.02 | Risk Weight on Housing Finance |
| 23 | UBD.No.POT.PCB.Cir .No.45/09.116.00/200 | 25.04.01 | Application of Capital Adequacy Norms to Urban (Primary) Co-operative Banks |