

RBI/2006-2007/362  
UBD (PCB).Cir.No.39 /13.05.000/06-07

April 30, 2007.

The Chief Executives of  
All Primary( Urban) Cooperative Banks

Dear Sir/Madam,

**Annual Policy Statement for the Year 2007-08-  
Loans Extended against Gold and Silver Ornaments-  
Reduction of Risk Weight-UCBs**

Please refer paragraph 151 of the Annual Policy Statement for the year 2007-08. (Copy enclosed).

2. In terms of our circular UBD.PCB.Cir.33/09.116.00/04-05 dated January 5, 2005, the risk weight on consumer credit including personal loan was increased from 100 % to 125 %.

3. It has been decided to reduce, with immediate effect, the risk weight on loans up to Rs.1 lakh against gold and silver ornaments to 50 per cent from the existing level of 125 per cent.

Yours faithfully,

(N.S.Vishwanathan)  
Chief General Manager-in-Charge

## **Annual Policy Statement for the year 2007-08**

151. Loans against gold and silver ornaments are commonly availed by the poorer sections of the society in both rural and urban areas. These loans entail relatively low risk as they are extended with adequate margins and the collateral (gold or silver) is easily marketable, particularly where the size of the loan is small. Such loans being in the nature of retail (personal) loans currently attract a risk weight of 125 per cent. It is now proposed:

- to reduce the risk weight on loans up to Rs.1 lakh against gold and silver ornaments to 50 per cent from the existing level of 125 per cent for all categories of banks