

RBI/2007-08/333

UBD.PCB.Cir.No. 47/09.11.600/07-08

May 26, 2008

The Chief Executive Officers of
All Salary Earners' (Urban) Co-operative Banks

Provisioning Requirement for Standard Assets- UCBs

Please refer to our circular UBD.PCB.Cir.No.30/09.11.600/06-07 dated February 19, 2007 enhancing the provisioning requirement for standard assets in respect of personal loans, loans and advances qualifying as capital market exposure and real estate loans (excluding residential housing loans) from one per cent to two per cent for Tier II banks (unit banks and banks having multiple branches within a single district with deposit of Rs 100 crore and above and all other UCBs operating in more than one district).

2. Keeping in view the nature of membership and loan profile of the Salary Earners' Banks (SEBs) and representations made by the banks and their federations, the matter has been reviewed and it has been decided that **Salary Earners' banks in Tier II (as defined vide our circular UBD (PCB).Cir.No.35 /09.20.001/07-08 dated March 7, 2008) may provide for standard assets in respect of personal loans at the rate of 0.4 percent instead of the existing level of two percent.** Provisioning requirement in respect of loans and advances qualifying as capital market exposure, commercial real estate loans and loans and advances to systemically important NBFCs-ND would however continue to be 2 % for such banks.

3. The revised instructions on provisioning requirement for standard assets for SEBs are summarized as under:

Sr. No.	Category of Standard Asset	Rate of Provisioning	
		Tier I Salary Earners' UCBs	Tier II Salary Earners' UCBs
(a)	Direct advances to agricultural and SME sectors	0.25 %	0.25 %
(b)	Personal Loans	0.25 %	0.40 %
(c)	Loans and advances qualifying as capital market exposures, Commercial real estate loans and loans and advances to systemically important NBFCs-ND.	0.25 %	2.00 %
(d)	All other loans and advances not included in (a),(b) and (c) above	0.25 %	0.40%

4. The revised instructions are applicable with immediate effect.
5. All other instructions issued in this regard remain unchanged.
6. Please acknowledge receipt to the regional office concerned.

Yours faithfully,

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