



भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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RBI/2010-11/284

UBD. BPD. (PCB) Cir. No. 21/13.05.000/2010-11

November 15, 2010

The Chief Executive Officers of
All Urban Co-operative Banks

Dear Sir/Madam,

Maximum Limit on Unsecured Loans and Advances

Please refer to our circular [UBD BPD \(PCB\) Cir. No. 51/13.05.000/2002-03 dated April 29, 2003](#) and circular [UBD BPD \(PCB\) Cir. No. 22/13.05.000/2005-06 dated December 5, 2005](#).

The Reserve Bank had announced in its Second Quarter Review of Monetary Policy 2010-11 enhancement in the limits on unsecured loans granted by Urban Co-operative Banks (UCBs). The relevant paragraphs of the Review are reproduced below.

“ Enhancement of Limits on Unsecured Loans and Advances Granted by UCBs

“93. Keeping in view the growth in business of the UCBs over the years, it is proposed :

- to enhance the existing limits on individual unsecured loans and advances extended by the UCBs, which are complying with the regulatory capital to risk-weighted assets ratio (CRAR) of 9 per cent, subject to overall ceiling of 10 per cent of total assets.

94. Detailed guidelines in this regard will be issued separately. ”

2. Accordingly, it has been decided to enhance the limits on unsecured loans and advances granted by UCBs complying with the regulatory capital to risk-weighted asset ratio (CRAR) of 9 per cent. The enhanced limits for grant of unsecured loans (with or without surety or for cheque purchase) are as under.

(a) Limits for Individual Borrower and Group Borrower

Criteria	UCBs with DTL up to Rs. 10 crore	UCBs with DTL above Rs. 10 crore & up to Rs. 50 crore	UCBs with DTL above Rs. 50 crore & up to Rs.100 crore	UCBs with DTL above Rs. 100 crore
UCBs having CRAR equal to or more than 9 %	Rs.1.00 lakh	Rs. 2.00 lakh	Rs. 3.00 lakh	Rs. 5.00 lakh
UCBs having CRAR less than 9 %	Rs. 0.25 lakh	Rs. 0.50 lakh	Rs. 1.00 lakh	Rs. 2.00 lakh

(b) Aggregate Limits

The total unsecured loans and advances (with surety or without surety or for cheque purchase) granted by a UCB to its members should not exceed 10 per cent of its total assets as per the audited balance-sheet as on 31 March of the preceding financial year. The total assets should be reckoned net of losses, intangible assets and contra items like bills receivables etc.

3. An amending directive UBD.BPD. (PCB) Dir.No.1/13.05.000/2010-11 dated November 15, 2010 is enclosed.

4. The enhanced limits would be applicable from the date of this circular. UCBs having unsecured loans and advances in excess of 10 per cent of its total assets may initiate steps to align their exposure to the revised limits within a period of six months from the date of this circular.

Yours faithfully,

Sd/-

(A. Udgata)

Chief General Manager-in-Charge

Encl: Directive

शहरी बैंक विभाग, केन्द्रीय कार्यालय, गारमेट हाउस, पहली मंजिल, वरली, मुंबई - 400 018
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बैंक हिन्दी में पत्राचार का स्वागत करता है।



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UBD. BPD. (PCB) Dir. No. 1/13.05.000/2010-11

November 15, 2010

The Chief Executive Officers of
All Urban Co-operative Banks

Maximum Limit on Unsecured Loans and Advances

In exercise of the powers conferred under Section 21 read with Section 56 of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest and in the interest of depositors to do so, hereby directs, in partial modification of its directives UBD.BPD.(PCB) DIR.6/ 13.05.000/2002-03 dated April 29, 2003 and [UBD. No. DIR 2/13.05.000/2005-06 dated December 5, 2005](#) that :

2. Urban Co-operative Banks (UCBs) may grant unsecured loans and advances (with or without surety or for cheque purchase) within the under noted limits only.

(a) Limits for Individual Borrower / Group Borrower

Criteria	UCBs with DTL up to Rs. 10 crore	UCBs with DTL above Rs. 10 crore & up to Rs. 50 crore	UCBs with DTL above Rs. 50 crore & up to Rs.100 crore	UCBs with DTL above Rs. 100 crore
UCBs having CRAR equal to or more than 9 %	Rs.1.00 lakh	Rs. 2.00 lakh	Rs. 3.00 lakh	Rs. 5.00 lakh
UCBs having CRAR less than 9 %	Rs. 0.25 lakh	Rs. 0.50 lakh	Rs. 1.00 lakh	Rs. 2.00 lakh

(b) Aggregate Limits

The total unsecured advances (with surety or without surety or for cheque purchase) granted by a UCB to its members should not exceed 10 per cent of its total assets as per the audited balance-sheet as on 31 March of the preceding financial year. However, UCBs having unsecured advances in excess of the revised limits are permitted to conform to the above limits within six months from the date of this Directive.

Explanations

3. For the purpose of this directive:

(a) The total assets should be reckoned net of losses, intangible assets and contra items like bills receivables etc.

(b) The total of the Demand and Time Liabilities (DTL) shall be the same as defined in Section 42 of the Reserve Bank of India Act, 1934 / Section 18 of the Banking Regulation Act, 1949 read with Section 56 of the Act *ibid*.

4. All other conditions in our Directive UBD.PCB.DIR 6/13.05.000/2002-03 dated April 29, 2003 remain unchanged.

5. The modification of the previous directive referred to in this directive shall not in any manner whatsoever affect any action taken by the Reserve Bank under the previous directive and shall not absolve any primary cooperative bank from its liability in respect of any contravention of or any non compliance with the provisions of the said directive.

6. In the event of any dispute relating to interpretation of any of the provisions of this directive, the Reserve Bank's decision thereon shall be final.

Sd/-

(V.K. Sharma)

Executive Director

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