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RESERVE BANK OF INDIA
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November 15, 2010

The Chief Executive Officers of
All Urban Co-operative Banks

Dear Sir/Madam,

Share Linking to Borrowing Norm in Urban Co-operative Banks

The Reserve Bank in its Second Quarter Review of Monetary Policy 2010-11 had proposed exempting well capitalised Urban Co-operative Banks (UCBs) from the share linking to borrowing norm. The relevant paragraph of the Review is reproduced below.

“Exemption from Share Linking to Borrowing Norm

96. It is mandatory for borrowers of UCBs to subscribe to the shares of the bank to the extent of 2.5 - 5.0 per cent of their borrowings. In order to provide flexibility to UCBs, which are already well capitalised to extend loans without adding to capital, it is proposed :

- to exempt UCBs which maintain a minimum CRAR of 12 per cent on a continuous basis from the mandatory share linking norms. “

2. Accordingly, it has been decided to exempt UCBs, which maintain capital to risk-weighted assets ratio (CRAR) of 12 per cent or above on a continuous basis, from the extant mandatory share linking norms. This exemption would be effective from the date of this circular.

Yours faithfully,

(A. Udgata)
Chief General Manager-in-Charge