



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2015-16/262

DBR.No.Ret.BC.64/12.01.001/2015-16

December 10, 2015

**All Commercial Banks, Primary (Urban) Co-operative Banks (UCBs),
State and Central Co-operative Banks (StCBs/CCBs)**

Dear Sir,

**Section 24 and Section 56 of the Banking Regulation Act, 1949 - Maintenance of
Statutory Liquidity Ratio (SLR)**

Please refer to [circulars DBR.Ret.BC.70/12.02.001/2014-15](#) and [DCBR.BPD.\(PCB/RCB\).Cir.No.14/16.26.000/2014-15 dated February 03, 2015](#), on maintenance of Statutory Liquidity Ratio under Section 24 and Section 56 of the Banking Regulation Act, 1949.

2. As announced in the [fourth Bi-Monthly Monetary Policy Statement 2015-16 by the Reserve Bank of India on September 29, 2015](#), it has been decided to reduce the Statutory Liquidity Ratio (SLR) of scheduled commercial banks, local area banks, primary (Urban) co-operative banks (UCBs), state co-operative banks and central co-operative banks from 21.5 per cent of their Net Demand and Time Liabilities (NDTL) to:

- (i) 21.25 per cent from April 2, 2016;
- (ii) 21.00 per cent from July 9, 2016;
- (iii) 20.75 per cent from October 1, 2016; and
- (iv) 20.50 per cent from January 7, 2017

3. We have moved to issuing a single regulation for the commercial banks, Primary (Urban) Co-operative Banks and State and Central Co-operative Banks. A copy of the relative notification DBR.No.Ret.BC. 63/12.02.001/2015-16 dated December 10, 2015, applicable to all these banks is enclosed.

4. Please acknowledge receipt.

Yours faithfully,

(Sudarshan Sen)
Principal Chief General Manager
Encl: As above

NOTIFICATION

In exercise of the powers conferred by sub-section (2A) of Section 24 read with Section 51 and Section 56 of the Banking Regulation Act, 1949 (10 of 1949) and in partial modification of the [Notifications Ref.DBR.No.Ret.BC.69/12.02.001/2014-15 dated February 03, 2015](#) and [DCBR.BPD.\(PCB/RCB\).Not.No.2/16.26.000/2014-15 dated February 03, 2015](#), the Reserve Bank hereby specifies that:

- (i) with effect from the dates given below, every scheduled commercial bank, local area bank, primary co-operative bank, state co-operative bank and central co-operative bank shall maintain in India assets (hereinafter referred to as 'SLR assets') the value of which shall not, at the close of business on any day, be less than:
 - (a) 21.25 per cent from April 2, 2016;
 - (b) 21.00 per cent from July 9, 2016;
 - (c) 20.75 per cent from October 1, 2016; and
 - (d) 20.50 per cent from January 7, 2017

of their total net demand and time liabilities in India as on the last Friday of the second preceding fortnight, valued in accordance with the method of valuation specified by the Reserve Bank from time to time; and

- (ii) such SLR assets shall be maintained by:

A. Scheduled commercial banks and local area banks, as -

- (a) cash; or
- (b) gold valued at a price not exceeding the current market price: or
- (c) unencumbered investment in any of the following instruments [hereinafter referred to as Statutory Liquidity Ratio securities ("SLR securities")], namely:-

- (1) Dated securities of the Government of India issued from time to time under the market borrowing programme and the Market Stabilization Scheme ; or
 - (2) Treasury Bills of the Government of India; or
 - (3) State Development Loans (SDLs) of the State Governments issued from time to time under the market borrowing programme;
- (d) the deposit and unencumbered approved securities required, under sub-section (2) of section 11 of the Banking Regulation Act, 1949(10 of 1949), to be made with the Reserve Bank by a banking company incorporated outside India;
- (e) any balance maintained by a scheduled bank with the Reserve Bank in excess of the balance required to be maintained by it under section 42 of the Reserve Bank of India Act, 1934 (2 of 1934);

Provided that the instruments referred to in items (1) to (3) above that have been acquired from the Reserve Bank under the Liquidity Adjustment Facility (LAF), shall not be included as SLR securities for the purpose of maintenance of SLR assets;

Provided further that the following securities shall not be treated as encumbered for the purpose of maintenance of SLR assets, namely:-

- (a) securities lodged with another institution for an advance or any other credit arrangement to the extent to which such securities have not been drawn against or availed of;
- (b) securities offered as collateral to the Reserve Bank for availing liquidity assistance from Marginal Standing Facility (MSF) up to the permissible percentage of the total NDTL in India, carved out of the required SLR portfolio of the bank concerned; and
- (c) securities offered as collateral to the Reserve Bank for availing liquidity assistance under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) .

B. Primary (Urban) co-operative banks, as –

- (a) Cash, or
- (b) Gold valued at a price not exceeding the current market price, or
- (c) Unencumbered investment in approved securities as defined in section 5(a) of the Banking Regulation Act, 1949 (10 of 1949) read with section 56 thereof:

Provided that the instruments acquired from the Reserve Bank under the Liquidity Adjustment Facility (LAF) shall not be included as SLR securities for the purpose of maintenance of SLR assets;

Provided further that the following securities shall not be treated as encumbered for the purpose of maintenance of SLR assets, namely:-

The securities lodged with another institution for an advance or any other credit arrangement to the extent to which such securities have not been drawn against or availed of;

C. State co-operative bank (StCB) and Central co-operative bank (CCB), as -

- (a) Cash, or
- (b) Gold valued at a price not exceeding the current market price, or
- (c) Unencumbered investment in approved securities as defined in Section 5(a) of the Banking Regulation Act, 1949 (10 of 1949) read with Section 56 thereof.

Provided that the following securities shall not be treated as encumbered for the purpose of maintenance of SLR assets, namely:-

The securities lodged with another institution for an advance or any other credit arrangement to the extent to which such securities have not been drawn against or availed of.

Notwithstanding anything contained hereinabove,

- i. Unencumbered balances maintained by a Central co-operative bank with the State co-operative bank of the State concerned, in excess of the balance required to be maintained by it under Section 18 of the Banking Regulation Act, 1949 (10 of 1949) read with section 56 thereof;
- ii. Any unencumbered term deposits maintained by a Central cooperative bank with the State co-operative bank of the State concerned; and
- iii. Unencumbered term deposits held by a State co-operative bank or a central co-operative bank with State Bank of India or a subsidiary bank or a corresponding new bank or IDBI Bank Ltd.

shall also be deemed to be assets for the purpose of calculating the percentage specified under this notification, till March 31, 2017. However, SLR on incremental NDTL over the level as on July 25, 2014 shall be maintained by StCBs / CCBs in the form of approved assets. Maintenance of SLR in the form of approved assets on NDTL as on July 25, 2014 shall be as per the roadmap advised as under.

Date	Investment in approved assets
March 31, 2016	10% of NDTL as on July 25, 2014 to be maintained in assets as mentioned at (c) above
From April 1, 2017	Entire SLR as prescribed by RBI as on that date in assets as mentioned in (a) to (c) above

* [RPCD circular RPCD.RCB.BC.No.16/07.51.020/2014-15 dated July 21, 2014](#)

(N.S.Vishwanathan)
Executive Director

Explanation- For the purpose of this notification,

(a) “cash” to be maintained by

- i) Scheduled commercial banks and local area banks shall include, in addition to cash in hand, the net balance in current accounts with other scheduled commercial banks in India.
- ii) Primary (urban) co-operative banks shall include :
 - Any balances maintained by a primary co-operative bank, which is a scheduled bank, with the Reserve Bank in excess of the balance required to be maintained by it under section 42 of the Reserve Bank of India Act, 1934 (2 of 1934);
 - Any balances maintained by a primary co-operative bank, not being a scheduled bank, with the Reserve Bank in excess of the balance required to be maintained by it under Section 18 of the Banking Regulation Act, 1949 (10 of 1949) read with Section 56 thereof; and
 - “Net balances in current accounts” as defined in the Explanation to sub-section (1) of Section 18 of the Banking Regulation Act, 1949 (10 of 1949) read with Section 56 thereof, in excess of the balance required to be maintained by it under the said section.
- iii) State co-operative bank or a Central co-operative bank shall include –
 - Any balances maintained by a State co-operative bank, which is a scheduled bank, with the Reserve Bank in excess of the balance required to be maintained by it under Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934);
 - Any balances maintained by a State co-operative bank or Central co-operative bank, not being a scheduled bank, with the Reserve Bank in excess of the balance required to be maintained by it under Section 18 of the Banking Regulation Act, 1949 (10 of 1949) read with Section 56 thereof; and
 - “Net balances in current accounts” as defined in the Explanation to sub-section (1) of section 18 of the Banking Regulation Act, 1949 (10 of

1949) read with section 56 thereof, in excess of the balance required to be maintained by it under the said Section.

- (b) "Facility to Avail Liquidity for Liquidity Coverage Ratio" shall mean facility whereby banks will be permitted to reckon government securities held by them up to a certain per cent of their NDTL within the mandatory SLR requirement as level 1 HQLA for the purpose of computing their Liquidity Coverage Ratio (LCR).
- (c) "Liquidity Adjustment Facility" shall mean Repo auctions (for injection of liquidity) and reverse repo auctions (for absorption of liquidity) conducted by the Reserve Bank of India.
- (d) "Local area bank" shall mean a banking company licensed as such under Section 22 of the Banking Regulation Act, 1949 (10 of 1949).
- (e) "Marginal standing facility" shall mean the facility under which the eligible entities can avail liquidity support from the Reserve Bank against SLR securities, up to a certain per cent of their respective NDTL outstanding at the last Friday of the second preceding fortnight.
- (f) "Market borrowing programme" shall mean the domestic rupee loans raised by the Government of India and the State Governments from the public and managed by the Reserve Bank through issue of marketable securities, governed by the provisions of the Government Securities Act, 2006, Public Debt Act, 1944 and the Regulations framed under those Acts, through an auction or any other method, as specified in the notification issued in this regard.
- (g) "Scheduled commercial bank" shall mean a banking company included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934) and includes the State Bank of India, subsidiary bank, corresponding new bank and Regional Rural Bank.
- (h) "State Co-operative Bank" shall mean the Principal Co-operative Society in a State, the primary object of which is the financing of other Co-operative Societies in the State:
Provided that in addition to such Principal Society in a State, or where there is no such Principal Society in a State, the State Government may declare any one or more Co-operative Societies carrying on business in that State

to be also or to be a State Co-operative Bank or State Co-operative Banks within the meaning of this definition;

- (i) “Central Co-operative Bank” shall mean the Principal Co-operative Society in a district in a State, the primary object of which is the financing of other Co-operative Societies in that district:

Provided that in addition to such Principal Society in a district, or where there is no such Principal Society in a district, the State Government may declare any one or more Co-operative Societies carrying on the business of financing other Co-operative Societies in that district to be also or to be a Central Co-operative Bank or Central Co-operative Banks within the meaning of this definition.

- (j) “Primary Co-operative Bank” shall mean a co-operative society, other than a primary agricultural credit society,-

- i) the primary object or principal business of which is the transaction of banking business;
- ii) the paid-up share capital and reserves of which are not less than one lakh of rupees; and
- iii) the bye-laws of which do not permit admission of any other co-operative society as a member :

Provided that this sub clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.