

RPCD.CO.RRB.BC.66/03.05.34/2003-04
RBI/2004/70

February 23, 2004

The Chairman of all
RRBs / Sponsor Banks

Dear Sir,

**Prudential guidelines on
investment in non-SLR debt securities**

Please refer to our circular RPCD.No.RRB.BC.76/03.05.34/1996-97 dated December 13, 1996 regarding avenues of investment of surplus Non-SLR funds of Regional Rural Banks, in terms of which RRBs were permitted to invest their non-SLR surplus funds in certain avenues subject to the terms and conditions laid down from time to time. In terms of Paragraph 133 of the Statement on Monetary and Credit Policy for the year 2002-03, banks were advised to observe further prudence in order to contain the risk arising out of their non-SLR investment portfolio.

2. SEBI has since advised the guidelines required to be complied with by listed companies issuing debt securities on a private placement basis and which have been listed on a stock exchange, vide circular SEBI /MRD/ SE/AT/ 36/ 2003/30/9 dated September 30, 2003.

3. In order to contain the risks arising out of non-SLR investment portfolio of banks, in particular through private placement, it has been decided to issue guidelines as furnished in the Annexure on banks' investment in non-SLR debt securities. These guidelines come into force with immediate effect and have to be fully complied with by March 31, 2004.

4. You are advised to place the contents of this circular together with its enclosures before the Board of your bank.
5. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

(C.S. Murthy)
Chief General Manager In-charge

Encls: As above

Endt RPCD.RRB.No.802/03.05.34/2003-04 of date

Copy forwarded for information to:

- 1.As per mailing list
- 2.The Chief General Manager, NABARD, DOS, C-24, 'G' Block, P.B.No.8121, Bandra-Kurla Complex,Bandra(East), Mumbai-400 051.

(P.K. Bahinipati)
General Manager

Co-ops-Non-SLR-Cir(B)