



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2019-20/171

DOR (PCB).BPD.Cir No.10/13.05.000/2019-20

March 13, 2020

The Chief Executive Officer
All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

Limits on exposure to single and group borrowers/parties and large exposures and Revision in the target for priority sector lending – UCBs

Please refer to paragraph 1 of the Statement on Developmental and Regulatory Policies dated December 5, 2019 ([extract enclosed](#)) and the subsequent draft circular on the subject issued on the RBI website, vide [Press Release 2019-2020/1541 dated December 30, 2019](#), for eliciting comments from the stakeholders. After examining the comments received in this regard, the final guidelines on the subject are given below.

2. Prudential Exposure Limits

2.1 In terms of our [circular UBD.DS. Cir.No.44/13.05.00/2004-05 dated April 15, 2005](#), Primary (Urban) Co-operative Banks (UCBs) were permitted to have exposures up to 15 per cent and 40 per cent of their capital funds to a single borrower and a group of borrowers, respectively. On a review, it has been decided that, henceforth, the prudential exposure limits for UCBs for a single borrower/party and a group of connected borrowers/parties shall be 15 per cent and 25 per cent, respectively, of their tier-I capital.

2.1.1 The revised exposure limits shall apply to all types of fresh exposures taken by UCBs. UCBs shall bring down their existing exposures which are in excess of the revised limits to within the aforesaid revised limits by March 31, 2023. However, where the existing exposure comprises only term loans and non-fund-based facilities, while no further exposure shall be taken on such borrowers, these facilities may be allowed to continue as per their respective repayment schedule / till maturity.

2.1.2 Tier-I capital as on March 31 of the preceding financial year shall be reckoned for the purpose of fixing the exposure limits. Tier-I capital for the purpose will be the same as that prescribed for computation of capital adequacy of UCBs (vide [Master Circular dated July 1, 2015 on Prudential Norms on Capital Adequacy](#)), as amended from time to time.

वित्तियमन विभाग, केंद्रीय कार्यालय, सी-7, पहली मंज़िल, बान्द्रा-कुर्ला संकुल, बान्द्रा (पूर्व), मुंबई - 400051, भारत
फोन: (022) 26571112; ई मेल: cgmdcbrc@rbi.org.in

Department of Regulation, Central Office, C-7, 1st Floor, Bandra-Kurla Complex, Mumbai - 400051, India

Phone: (022) 26571112; E-mail: cgmdcbrc@rbi.org.in

बैंक हिन्दी में पत्राचार का स्वागत करता है

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिये कोई भी व्यक्तिगत जानकारी जैसे बैंक खाते का ब्यौरा, पासवर्ड आदि नहीं मांगा जाता है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी प्रकार से जवाब मत दीजिए।

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc.
It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

2.1.3 Whether borrowers/parties belong to a 'group of connected borrowers/parties' shall be determined based on the instructions contained at para 2.2.3 and 2.2.4 of the [Master Circular DCBR.CO.BPD. \(PCB\) MC No.13/13.05.000/2015-16 dated July 1, 2015](#), as amended from time to time.

2.1.4 All other extant instructions on the subject, including the definition of exposure, will remain unchanged.

2.2 UCBs shall have at least 50 per cent of their aggregate loans and advances comprising loans of not more than ₹25 lakh or 0.2% of their tier I capital, whichever is higher, subject to a maximum of Rs.1 crore, per borrower/party. Tier I capital for this purpose shall be reckoned in the manner provided in paragraph 2.1.2 above. Notwithstanding the above, UCBs shall adhere to the revised exposure limits stipulated at para 2.1 above. UCBs which do not, at present, comply with the prescribed threshold shall be in conformity with the above requirements by March 31, 2024.

2.2.1 It is clarified that 'loans' for the purpose shall include all types of funded and non-funded exposures in the nature of credit.

3. Revised Priority Sector Lending Target

3.1 In terms of the [circular DCBR.BPD \(PCB\).Cir.No.07/09.09.002/2017-18 dated May 10, 2018](#), the overall priority sector lending (PSL) target for UCBs stood at 40% of the adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposure (CEOBSE), whichever is higher. On a review, it has been decided that the overall PSL target for UCBs shall stand increased to 75 per cent of ANBC or CEOBSE, whichever is higher.

3.1.1 UCBs shall comply with the above target by March 31, 2024 as per the following milestones:

PSL targets to be achieved by			
March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
45% of ANBC or CEOBSE, whichever is higher	50% of ANBC or CEOBSE, whichever is higher	60% of ANBC or CEOBSE, whichever is higher	75% of ANBC or CEOBSE, whichever is higher

3.1.2 The extant sub-targets under the priority sector shall remain unchanged.

4. UCBs shall prepare, with the approval of their Board, an Action Plan for compliance with the aforesaid revised exposure limits and priority sector lending targets. They are also advised to establish an appropriate mechanism to regularly monitor the progress made under the Action Plan for compliance with the above instructions.

5. A copy of this circular should be placed before the Board of Directors of the UCB in its next meeting and a confirmation thereof should be sent to the concerned Regional Office of Department of Supervision, Reserve Bank of India.

Yours faithfully,

(Neeraj Nigam)
Chief General Manager
Enclosure : As above

Extract of the Statement on Developmental and Regulatory Policies dated December 5, 2019

1. Primary (Urban) Co-operative Banks – Exposure Limits and Priority Sector Lending

With a view to reducing concentration risk in the exposures of primary (urban) co-operative banks (UCBs) and to further strengthen the role of UCBs in promoting financial inclusion, it is proposed to amend certain regulatory guidelines relating to UCBs. The guidelines would primarily relate to exposure norms for single and group/interconnected borrowers, promotion of financial inclusion, priority sector lending, etc. These measures are expected to strengthen the resilience and sustainability of UCBs and protect the interest of depositors. An appropriate timeframe will be provided for compliance with the revised norms. A draft circular proposing the above changes for eliciting stakeholder comments will be issued shortly.