

CAB Training Cards



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Gist of RBI Guidelines on Maintenance of SLR by UCBs

A. Major provisions regarding maintenance of SLR by Scheduled and Non-Scheduled UCBs

- Both Scheduled as well as Non-Scheduled UCBs are required to maintain SLR as per Section 24 (2A) of B. R. Act (AACs), 1949.
- To be maintained as a percentage of Net Demand and Time Liabilities (**NDTL**) as on **last Friday of second preceding fortnight**.
- To be maintained in "Liquid Assets" – as defined below.
- Liquid Assets comprises of Cash, Gold [valued not more than market price] and Unencumbered investment in "approved securities"
- Cash includes cash/ bank balances kept in excess of required CRR.
- Legally speaking, the banks may invest in gold (including gold ornaments) to maintain liquid assets. However, such investments are of unproductive nature and yield no income, except price increase, which is subject to speculative forces. Keeping these aspects in view as well as the difficulties involved in valuation, safekeeping, etc., **the banks should not invest in gold to maintain liquid assets for SLR purposes.**
- "Approved securities" means securities having 'SLR' status.
- SLR status is indicated in the Press Release issued by the RBI at the time of issuance.

B. Computation of NDTL

- Liabilities of a bank may be (a) towards "Banking System" or (b) towards Others
- **Banking System includes**
 - (i) SBI and its Subsidiary banks (ii) Nationalized Banks & RRBs (iii) Banking Companies as defined in clause (c) of Section 5 of the B. R. Act, 1949. (iv) Co-operative banks as defined in clause (cci) of Section 56 of the B. R. Act, 1949. (iv) Any other financial institution 'notified' by the Central Government in this behalf

- Banking System does not include the following :
(i) EXIM Bank (ii) NABARD (iii) SIDBI (iv) IFCI & IIBI
- **NDTL = Net Liability towards the Banking System + Liabilities towards Others in India**
 - Net Liability towards Banking System = Liability with Banking System in India minus Assets with Banking System in India.
 - If it is a positive figure, it should be added to 'liabilities towards others' to arrive at total NDTL. If it is a negative figure, net inter-bank liabilities would be considered as zero and 'liabilities towards others' would be considered as total NDTL.
 - In other words, if Net Liability towards Banking system is negative, (i.e., if Liabilities to the Banking system < Assets with the Banking system) then **NDTL is simply = Liabilities towards Others in India.**

C. Returns, Monitoring and Penalty

- **Returns:**
- **Form I** to be submitted by Sch. & Non-Sch. UCBs for position as on each alternate Friday
- **Appendix II** is to be submitted showing daily position of
 - liquid assets required to be maintained under Section 24 of B.R. Act
 - liquid assets actually maintained
 - extent of deficit/ shortfall for each day of the month
- **Monitoring and levy of penal interest:**
 - As per Section 24(4) (a) and (b), SLR maintenance is monitored for alternate Fridays. However, without prejudice to these sub-sections, RBI under Section 24(5) (a), on the failure of any bank to maintain SLR on any day as reflected in Appendix II, may levy penal interest.
 - Penal interest is @ 3% over Bank Rate (BR) for first day and @ 5% over BR, thereafter.
 - When penal interest at increased rate of 5% above bank rate becomes payable, every director, manager of secretary of the bank who is knowingly and willfully party to the default, shall be punishable with fine which extends to five hundred rupees for each day of default.

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