

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:803  
ANSWERED ON:25.07.2003  
INVESTMENT BYUCB  
PRAKASH V. PATIL

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the gOvernment have issued new guidelines to urban cooperative banks regarding investment portfolio;
- (b) if so, the details thereof;
- (c) whether the banks have been advised to take advantage of non-competitive bidding facility provided to them for acquiring Government securities in primary auction; and
- (d) if so, the reaction of the banks thereto?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a), (b), (c) & (d): Reserve Bank of India (RBI) has recently issued guidelines concerning investment portfolio to primary (urban) co-operative banks (UCBs). These guidelines caution the banks against investing in illiquid securities, advise compulsory settlement through Negotiated Dealing System (NDS) and settling through Clearing Corporation of India (CCIL) in government securities and suggest to take advantage of non-competitive bidding facility provided to them in auction of government securities.

Under the scheme of non-competitive bidding in the auctions of Government securities each UCB can bid up to Rupees two crore (face value) in any auction of Government dated securities on a non-competitive basis through a bank or a primary dealer. The securities are allotted at a price based on the weight average of the cut off rates emerging in the auction. In addition, UCBs can also participate directly or through a bank or primary dealer in auction of State Government loans. RBI has reported that in the eight auctions held by RBI during the quarter ending June 30, 2003, 638 applications were received from UCBs involving an amount of Rs.627.42 crore.