



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2004-05/135
DBOD. No. Ret. BC.33/12.01.001/2004-05

August 24, 2004

Chief Executives of all
Scheduled Commercial Banks

Dear Sir,

Master Circular-Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Please refer to our Master Circular DBOD.No.Ret.BC.23/12.01.001/2004-05 dated August 5,2004 on the captioned subject. Paragraph 3.2 of the circular relating to 'Valuation of approved securities for SLR' may be amended to read as indicated in the Annexure.

Yours faithfully,

sd/-
(T.B.Satyanarayan)
General Manager

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आचार्य, रिज़र्व बैंक, भारत



## **ANNEXURE**

### Existing Paragraph

#### **3.2 Valuation of approved securities for SLR**

The entire investment portfolio of the banks (including SLR Securities) will be classified under three categories viz. 'Held to Maturity', 'Available for sale' and 'Held for Trading'.

Investment classified under **Held to Maturity** category need not be marked to market and will be carried at acquisition cost unless it is more than the face value. In such a case, the premium should be amortised over a period remaining to maturity.

Individual scrips in the **Available for Sale** category will be marked to market at the year end or at more frequent intervals. The net depreciation under each classification should be recognized and fully provided for and any appreciation should be ignored. The book value of the individual securities would not undergo any change after the revaluation.

The individual scrips in the **Held for Trading** category will be revalued at monthly or at more frequent intervals and **net** appreciation /depreciation under each classification will be recognized in income account. The book value of the individual scrip will be changed with revaluation.

### Amended Paragraph

#### **3.2(i) Classification**

(a) The entire investment portfolio of the banks (including SLR securities and non-SLR securities) should be classified under three categories viz. 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. However, in the Balance Sheet, the investments will continue to be disclosed as per the existing six classifications viz. a) Government securities, b) Other approved securities, c) Shares, d) Debentures & Bonds, e) Subsidiaries/joint ventures and f) Others (CP, Mutual Fund Units, etc.).

(b) Banks should decide the category of the investment at the time of acquisition and the decision should be recorded on the investment proposals.

#### **(ii) Valuation of securities for SLR**

##### **Held to Maturity**

Investments classified under **Held to Maturity** category need not be marked to market and will be carried at acquisition cost unless it is more than the face value, in which case the premium should be amortised over the period remaining to maturity.



Banks should recognise any diminution, other than temporary, in the value of their investments in subsidiaries/ joint ventures which are included under Held to Maturity category and provide therefor. Such diminution should be determined and provided for each investment individually.

#### **Available for Sale**

The individual scrips in the **Available for Sale** category will be marked to market at the quarterly or at more frequent intervals. While the net depreciation under each classification referred to at 3.2(i) above should be recognised and fully provided for, the net appreciation under each classification should be ignored. The book value of the individual securities would not undergo any change after the revaluation.

#### **Held for Trading**

The individual scrips in the **Held for Trading** category will be marked to market at monthly or at more frequent intervals as in the case of those in the Available for Sale category. The book value of the individual securities in this category would not undergo any change after marking to market.