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Vice Chairman
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B.Sc., LL.B.

Chief Executive & Secretary
Sou. Sayali Bhoir
B.Com., G.D.C. & A., LL.B., C.A.I.I.B



The Maharashtra Urban Co-op. Banks' Federation Ltd.

(Regd. No. BOM-GNL-8 of 9th March 1979)

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To

Shri N. S. Vishwanathan
Deputy Governor
Reserve Bank of India
Central Office Building
19th Floor, Shahid Bhagat Singh Road
Mumbai-400 001.

Sub: Shifting of G-sec portfolio and writing off the losses

Respected sir,

Reserve Bank of India's Governor has recently announced Bi-Monthly Monetary Policy 2016-17 in which numerous issues were discussed on Market upheavals, international developments resulting from BREXIT as well as on policies of Mr. Donald Trump, new elected President of America. While predicting certain uncertainties on different issues, specifically it has been mentioned that there is uncertainty to the base line inflation path which will again harden in future. International crude prices, volatility in the exchange rate on account of global financial market will have adverse impact and pressure on domestic inflation. It may be observed that after 2015, RBI had taken stance of accommodative policy and also reduced rates on 175 basis points from time to time.

As you are aware, during the demonetization, there was surge on deposits of the banks due to cash inflows of SBNs. On one side where there was hardly any credit off take, the banks had no option but to invest the inflow of funds in to the safest investment of Government Securities. As the increased deposits during the demonization period were likely to be reduced after 31st Dec 2016, the banks had invested most of the fresh inflow of money in the AFS category of SLR securities, as investing in HTM category could have locked the funds.