

Annex: Chronology of Major Policy Developments

Announcement Date	Measures	
A) Scheduled Commercial Banks (SCBs)		
2003		
April	8	<ul style="list-style-type: none"> The ceiling on banks' credit/non-credit facilities to Indian Joint Ventures/Wholly Owned Subsidiaries abroad increased from 5 per cent of the unimpaired Tier I capital to 10 per cent of banks' unimpaired capital funds (Tier I and Tier II capital).
	23	<ul style="list-style-type: none"> The final guidelines on Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 issued. These pertain to registration, owned funds, permissible business, operational structure for giving effect to the business of securitisation and asset reconstruction, deployment of surplus funds, internal control system, prudential norms, disclosure requirements, etc. In addition to the guidelines and directions, which are mandatory, guidance notes of a recommendatory nature were also issued covering aspects relating to acquisition of assets, issue of security receipts, etc.
	24	<ul style="list-style-type: none"> The concessions/credit relaxations to borrowers/customers in the State of Jammu & Kashmir extended upto March 31, 2004.
	29	<ul style="list-style-type: none"> All SCBs, excluding Regional Rural Banks (RRBs), to maintain a Cash Reserve Ratio (CRR) of 4.5 per cent of Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning June 14, 2003.
		<ul style="list-style-type: none"> The maturity period of fresh NRE deposits to be 1 to 3 years with immediate effect. This would also apply to NRE deposits renewed after their present maturity.
May	5	<ul style="list-style-type: none"> Broad guidelines on Fair Practices Code issued regarding applications for loans and their processing, loan appraisal and terms/conditions, disbursement of loans including changes in terms and conditions, post disbursement supervision, etc.
	7	<ul style="list-style-type: none"> Effective March 31, 2003, while Investment Fluctuation Reserve (IFR) would continue to be treated as Tier II capital, it would not be subject to the ceiling of 1.25 per cent of the total risk-weighted assets.
	23	<ul style="list-style-type: none"> The time period for receipt of applications under the One Time Settlement (OTS) Scheme extended from April 30, 2003 to September 30, 2003, and for processing of applications from October 31, 2003 to December 31, 2003.
June	26	<ul style="list-style-type: none"> Additional instructions issued in respect of dishonoured instruments for want of funds. These include procedure for return/despatch of dishonoured cheques, information on dishonoured cheques, and dealing with incidence of frequent dishonour, etc. Banks, with the approval of their respective Boards, to adopt appropriate procedures for dealing with dishonoured cheques and for preventing any scope for collusion of the staff of the bank or any other person, with the drawer of the cheque.
July	17	<ul style="list-style-type: none"> Banks were exempted from the requirement of appropriating the profit on sale of securities from Held to Maturity (HTM) category to 'Capital Reserve Account', as a one-time measure. This exemption would be applicable only in respect of the identified securities which are sold to the Government of India under the scheme of Government of India's Debt Buyback Programme. Interest rate on fresh repatriable non-resident external (NRE) deposits for one to three years not to exceed 250 basis points above the LIBOR/ SWAP rates for US dollar of corresponding maturity. The premium to be subsequently reduced to 100 basis points effective September 15, 2003 and to 25 basis points effective October 18, 2003.
	29	<ul style="list-style-type: none"> Revised guidelines issued to banks to identify and report instances of wilful default. A grievance redressal mechanism was to be created for giving a hearing to borrowers classified as wilful defaulters.
August	18	<ul style="list-style-type: none"> Detailed operational guidelines for the process of take-over of bank branches in rural and semi-urban centres issued.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2003		
August	21	<ul style="list-style-type: none"> Regarding the computation of NDTL for the purpose of maintenance of CRR/SLR, the liability in respect of arrangement with the correspondent banks to be reckoned by the banks in the manner prescribed in the notification.
September	11	<ul style="list-style-type: none"> Banks, which are registered with SEBI as Depository Participants, to provide the facility of Depository Services to their customers at Extension Counters.
	13	<ul style="list-style-type: none"> The guidelines for accounting legal expenses in suit-filed accounts issued. As per the guidelines, to be effective from March 31, 2004, the legal expenses incurred by banks in respect of suit-filed accounts to be debited to the profit and loss account at the time of incurrence, and the amount recovered to be recognised in the profit and loss account of the year in which the recovery is made. For the purpose of monitoring the recovery of such expenses from the borrowers, banks to keep a memorandum control account.
	16	<ul style="list-style-type: none"> Overseas Corporate Bodies (OCBs) in India derecognised as an eligible 'class of investor' under various routes/schemes available under the extant Foreign Exchange Management Regulations.
	26	<ul style="list-style-type: none"> A new credit facility 'Swarojgar Credit Card (SCC) Scheme', introduced for fishermen, rickshaw owners, self employed persons, etc., to provide adequate and timely credit (working capital or block capital, or both) from the banking system in a flexible, hassle-free and cost-effective manner.
October	10	<ul style="list-style-type: none"> Banks prohibited from borrowing from their Off-shore Banking Units (OBUs) and the exposures of an OBU in the Domestic Tariff Area (DTA) to be restricted to the amount a corporate in the DTA can borrow from an OBU under the scheme of External Commercial Borrowings (ECBs), subject to FEMA regulations. The aggregate of such exposures not to exceed 25 per cent of the bank's total liabilities as at the close of business of the previous working day, at any point of time.
	15	<ul style="list-style-type: none"> The Special Purpose Vehicles (SPVs) not to be treated as investment companies subject to the following conditions: (a) functioning as holding companies, special purpose vehicles, etc. with not less than 90 per cent of their total assets as investment in shares held for the purpose of holding ownership stake, (b) not trading in these shares except for block sale, (c) not undertaking any other financial activities, and (d) not holding/accepting public deposits. Accordingly, such SPVs not to be considered as NBFCs for the limited purpose of being eligible for bank finance for PSU disinvestments of Government of India.
	18	<ul style="list-style-type: none"> Authorised Dealers (ADs) operating in Special Economic Zones (SEZs) allowed to raise the ECBs in compliance with the Government of India guidelines, subject to the following conditions: <ol style="list-style-type: none"> units in SEZs shall raise ECBs for their own requirement, and they would not transfer or on-lend any borrowed funds to their sister concern or any other unit in DTA.
	20	<ul style="list-style-type: none"> Banks to ensure smooth and expeditious disposal of educational loan applications without insisting on collateral security for loans up to Rs.4 lakh.
	21	<ul style="list-style-type: none"> Banks to determine rates of interest on advances without reference to PLR and regardless of the size of loan.
November	3	<ul style="list-style-type: none"> Banks to increase the limit on dispensation of collateral requirements for loans to SSI units from the existing level of Rs.15 lakh to Rs.25 lakh (with the approval of the appropriate authority in the banks), on the basis of good track record and financial position of the units. Banks to provide adequate incentives to their branches in financing the Self-Help Groups (SHGs) and establish linkages with them. A special monitoring system proposed for Systemically Important Financial Intermediaries (SIFIs) to encompass a reporting system on financial matters of common interest to the Reserve Bank, the SEBI and the IRDA, for the reporting of intra-group transactions and the exchange of relevant information.
	4	<ul style="list-style-type: none"> Education loans up to the ceiling of Rs.7.5 lakh for studies in India, and Rs.15 lakh for studies abroad to be reckoned under priority sector advances.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2003		
November	6	<ul style="list-style-type: none"> Foreign banks operating in India permitted to remit net profits/surplus (net of tax) earned out of their Indian operations in the normal course of business, on a quarterly basis, to their Head Offices. The remittances were allowed without prior approval of the Reserve Bank subject to certain conditions.
December	3	<ul style="list-style-type: none"> Banks were encouraged to build IFR upto 10 per cent of their investments in 'Held for Trading' (HFT) and 'Available for Sale' (AFS) categories with the approval of their Boards, against the minimum requirement of 5 per cent.
	8	<ul style="list-style-type: none"> SHGs to be considered for financing under the Prime Minister's <i>Rozgar Yojana</i> (PMRY) subject to certain conditions.
	12	<ul style="list-style-type: none"> An Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System constituted under the Chairmanship of Prof. V.S. Vyas, Director, Central Board of the Reserve Bank.
	16	<ul style="list-style-type: none"> A Working Group on Flow of Credit to the SSI sector constituted under the Chairmanship of Dr. A.S. Ganguly, Director, Central Board of the Reserve Bank.
	27	<ul style="list-style-type: none"> Each commercial bank to constitute an <i>ad hoc</i> Committee to undertake procedures and performance audit on public services rendered by it. Each <i>ad hoc</i> Committee was expected to complete its work in six months from the date of its constitution and submit its Report to the Committee on Procedures and Performance Audit on Public Services of the Reserve Bank.
2004		
January	3	<ul style="list-style-type: none"> The margin requirement on all advances against shares/financing of IPOs/issue of guarantees by banks raised from 40 per cent to 50 per cent. Further, a minimum cash margin of 25 per cent (within the overall margin of 50 per cent) in respect of guarantees issued for capital market operations was also prescribed.
	15	<ul style="list-style-type: none"> Banks to furnish data on priority sector lending on a quarterly basis, as on the last reporting Friday of each quarter, to the Reserve Bank within a fortnight from the end of the particular quarter. Public sector and private sector banks, however, to continue to submit the sector-wise provisional data on priority sector advances on a half-yearly basis as on the last reporting Friday of March and September.
	16	<ul style="list-style-type: none"> Banks not to deduct tax at source while making payment of interest on the 8 per cent Savings (Taxable) Bonds 2003. This stipulation was also made applicable to UTI Bank, IDBI Bank, HDFC Bank and Stock Holding Corporation of India Ltd.
	19	<ul style="list-style-type: none"> All branches of banks maintaining currency chests in the country to provide customer services to the public more actively and vigorously with respect to (i) meeting the demands for fresh/good quality notes and coins of all denominations, (ii) exchanging soiled notes, (iii) adjudicating mutilated notes, and (iv) accepting coins and notes either for transactions or in exchange.
	24	<ul style="list-style-type: none"> All public and private sector banks to issue instructions and ensure that the currency chests and small coin depots maintained by their branches remit old coins of value up to Re.1 made from Cupro-Nickel alloy and Aluminium to the Mints with prior consultation with the Mints.
	29	<ul style="list-style-type: none"> Banks to ensure that note counting machines are provided in sufficient numbers at branches for instilling confidence regarding numerical accuracy of the notes issued.
February	3	<ul style="list-style-type: none"> Detailed guidelines issued towards streamlining the procedure for obtaining acknowledgement for allotment or transfer of shares, and removing uncertainties for investors including foreign investors in this regard. Private sector banks to ensure, through an amendment to the Articles of Association, that no transfer takes place of any acquisition of shares of 5 per cent or more of the total paid-up capital of the bank without a prior acknowledgement by the Reserve Bank. Boards of private sector banks to take the guidelines into account while seeking acknowledgement for transfer or allotment of shares.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2004		
February	5	<ul style="list-style-type: none"> The last date for receipt of applications from banks for OTS of chronic NPAs of banks upto Rs.10 crore extended to July 31, 2004.
	6	<ul style="list-style-type: none"> The restriction on banks to provide finance upto Rs.50,000 or six months' salary, whichever is less, to assist employees to buy shares of their own companies, withdrawn. However, it was clarified that these advances would form part of the bank's capital market exposure.
	13	<ul style="list-style-type: none"> Banks free to decide on all aspects relating to renewal of overdue deposits subject to non-discretionary and non-discriminatory policy laid down by their Boards. Similarly, decisions on margin on advances against term deposit and interest payable on maturity proceeds of deposit account of deceased depositors left to the discretion of the individual bank's Board.
	17	<ul style="list-style-type: none"> <i>Ad hoc</i> Committees set up by banks to submit suitable recommendations for modification/rationalisation of the existing guidelines on the provision of customer service in banks in respect of foreign exchange transactions, Government and public debt transactions, banking operations and currency management.
	23	<ul style="list-style-type: none"> Prudential guidelines on banks' investment in non-SLR debt securities issued to contain risks arising out of non-SLR investment portfolio of banks, in particular through private placement. Investment in non-SLR securities of original maturity of less than one year and also in unrated debt securities and unlisted shares of AIFIs were prohibited. These guidelines need to be fully complied with by March 31, 2004.
March	15	<ul style="list-style-type: none"> Guidelines towards bringing about a certain minimum level of uniformity with regard to the content and coverage of the Best Practices Codes (BPC) in banks issued.
	18	<ul style="list-style-type: none"> The cut-off date for lapsing of sanctions and completion of disbursements under the Prime Minister's <i>Rozgar Yojana</i> extended to September 30, 2004.
	25	<ul style="list-style-type: none"> Banks to furnish data under <i>Swarnajayanti Gram Swarozgar Yojana</i> (SGSY), <i>Swarna Jayanti Shahari Rozgar Yojana</i> (SJSRY) and Scheme for Liberation and Rehabilitation of Scavengers (SLRS) on a monthly basis with effect from April 2004.
	26	<ul style="list-style-type: none"> Banks to forward to the Reserve Bank a report on the performance of the statutory central auditors in a prescribed proforma communicated to them for eliciting information on the performance of their statutory auditors. Banks also to prepare information regarding statutory branch auditors in the same format for their internal use and adverse features, if any, observed against any statutory branch auditor may be communicated to the Reserve Bank every year along with the report on the performance of their statutory auditors.
	29	<ul style="list-style-type: none"> The minimum owned fund not to be less than 15 per cent, on an aggregate basis, of the total financial assets acquired or to be acquired by the Securitisation/Reconstruction Company or Rs.100 crore, whichever is lower. The NOFs to be maintained irrespective of whether the assets are transferred to a trust set up for the purpose of securitisation or not. The Securitisation/Reconstruction Company should continue to hold the owned fund level until the realisation of the assets and redemption of security receipts issued against such assets.
April	10	<ul style="list-style-type: none"> Revised norms with regard to cheque Drop Box facility, delivery of cheque books over the counter and statement of accounts/pass book issued in pursuance with the recommendations of the Committee on Procedures and Performance Audit on Public Service (Chairman: Shri S. S. Tarapore).
	19	<ul style="list-style-type: none"> Banks to achieve the State/Union Territory-wise physical targets for sanctions and disbursements of loans under PMRY by end-March 2005 for the purpose of the meeting the quarterly targets.
	22	<ul style="list-style-type: none"> Banks to inform their account holders, at least one month in advance of any change in the prescribed minimum balance and the charges levied in case the minimum balance is not maintained. Non-resident ordinary accounts could be held by non-residents jointly with residents.
	23	<ul style="list-style-type: none"> The eligibility criteria (inclusive of fulfilment of norms related to CRAR, NPA and compliance with other regulations) for declaration of dividend without prior approval of the Reserve Bank modified. Norms were also laid down for the quantum of dividend payable (with a ceiling placed at 33 1/3 per cent dividend payout ratio) along with prescription of the methods of compilation.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date	Measures	
2004		
April	30	<ul style="list-style-type: none"> • Banks (excluding RRBs and LABs) to review at regular intervals policies and practices relating to information system (IS) audit appropriate to its level of computerisation and in tune with industry best practices and guidelines issued by the Reserve Bank. • Banks (excluding RRBs) to ensure strict compliance with the three accounting standards (No. 24, 26 and 28) relating to discounting operations, intangible assets and impairment of assets, respectively, as recommended by the Working Group (Chairman: Shri N. D. Gupta).
May	8	<ul style="list-style-type: none"> • The subsidy under SJSRY to be a back-ended subsidy with a lock-in period of 2 years.
	12	<ul style="list-style-type: none"> • Banks to strictly maintain the confidentiality of information provided by the customer for 'Know Your Customer' (KYC) compliance.
	15	<ul style="list-style-type: none"> • Banks to ensure that their branches do not open current accounts of entities which enjoy credit facilities (fund based or non-fund based) without specifically obtaining a no-objection certificate from lending banks.
	18	<ul style="list-style-type: none"> • The requirement of margin/security for agricultural loans up to Rs.50,000 and in the case of agri-business and agri-clinics for loans up to Rs.5 lakh waived. The NPA norms for longer duration crops tightened. • The margin requirement on all advances against shares/financing of IPOs/issue of guarantees by banks reduced from 50 per cent to 40 per cent. Further, a minimum cash margin of 20 per cent prescribed for banks (within the margin of 40 per cent) in respect of guarantees issued for capital market operations.
June	11	<ul style="list-style-type: none"> • Banks to raise long term bonds with a minimum maturity of five years.
	15	<ul style="list-style-type: none"> • The risk weight on exposure to Public Financial Institutions (PFIs) raised to 100 per cent from March 31, 2005.
	17	<ul style="list-style-type: none"> • The extant limits on unsecured exposures by banks withdrawn and banks allowed to set their own limits for unsecured exposures. Unsecured exposures redefined to attract 20 per cent provisioning. • The guidelines issued on country risk management to cover countries where a bank has net funded exposure of one per cent or more of its total assets with effect from the year ending March 31, 2005.
	18	<ul style="list-style-type: none"> • A road map for migration to Basel II to be drawn by the end of 2004 and banks to make a quarterly review of the progress made.
	21	<ul style="list-style-type: none"> • Graded higher provisioning requirement according to the age of NPAs introduced for NPAs under 'doubtful for more than three years' category with effect from March 31, 2005. • The process of identifying wilful defaulters and the mechanism relating to redressal of grievances to be treated as two distinct processes. The borrower to be suitably advised before being classified as a wilful defaulter. • Boards of banks/FIs to oversee furnishing of requisite information of all borrowers to Credit Information Bureau (India) Limited (CIBIL) and report compliance with the same to the Reserve Bank. CIBIL to have a sufficiently diversified ownership structure with no single entity owning more than 10 per cent of its paid-up capital. • Banks to fully adhere to 'Know Your Customer' (KYC) policy adopted by their Boards: i) for opening new accounts, ii) for the existing accounts, where any wrong-doing is suspected or where the summation of the credit/debit transactions is more than Rs.10 lakh, and iii) in respect of all accounts belonging to trusts, intermediaries or those operated through a mandate or power of attorney. • The vigilance procedure in public sector banks modified such that only such vigilance cases in which an officer of the level of Scale V and above is involved, to be referred to the Central Vigilance Commission for advice.
	24	<ul style="list-style-type: none"> • Guidelines issued for increasing the flow of credit to agriculture including (i) debt restructuring and provision of fresh loans to farmers affected by natural calamities; (ii) one time settlement for small and marginal farmers; (iii) fresh finance for farmers whose earlier debts have been settled through compromise or write-off; and (iv) relief measures for farmers indebted to non-institutional lenders.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2004		
June	24	<ul style="list-style-type: none"> Boards of banks, under exceptional circumstances, to raise single or group exposure limit by 5 per cent of capital funds. Banks to provide for capital charge for market risk in respect of trading book exposures (including derivatives) effective March 31, 2005. Capital charge also to be introduced for securities under 'Available for Sale' (AFS) category with effect from March 31, 2006.
	25	<ul style="list-style-type: none"> 'Fit and proper' criteria for directors of private sector banks issued.
July	6	<ul style="list-style-type: none"> The types of instruments that are to be included in the prudential limit of bank's aggregate investment in Tier II bonds were widened.
	12	<ul style="list-style-type: none"> Prudential norms on income recognition, asset classification and provisioning with respect to agricultural advances modified with a view to align the repayment dates with harvesting of crops. Effective September 30, 2004 a loan granted for short duration crops to be treated as NPA if the instalment of the principal or interest thereon remains unpaid for two crop seasons beyond the due date. A loan granted for long duration (with crop season longer than one year) crops will be treated as NPA, if the instalment of principal or interest thereon remains unpaid for one crop season beyond the due date.
	20	<ul style="list-style-type: none"> Banks debarred from prescribing any minimum annual turnover for issuance of Gold Card since the objective of the scheme was to cover all credit worthy exporters, including the SME segment. Investment by banks in the mortgage backed securities (MBS) to be classified as direct lending to housing within the priority sector lending, subject to certain conditions.
	23	<ul style="list-style-type: none"> Additional measures introduced relating to wilful defaulters including prohibition on additional facilities, debarment from institutional finance for floating new ventures for a period of five years, initiation of legal proceedings and foreclosure and also criminal proceedings wherever necessary, adoption of a proactive approach for a change of management of the wilfully defaulting borrower unit, incorporation of a covenant in the loan agreement barring borrowing companies to induct a person who is a director on the Board of a company which has been identified as a wilful defaulter, etc.
	26	<ul style="list-style-type: none"> Banks to take appropriate steps to increase the flow of credit to priority sector, agriculture and weaker sections so as to achieve the stipulated targets and also observe the directives on interest rates on loans. On the application of the Reserve Bank under Sub-Section (1) of Section 45 of the Banking Regulation Act, 1949, the Government of India made an Order of Moratorium in respect of the Global Trust Bank Ltd. under Sub-Section (2) of the said Section for the period from the close of business on the July 24, 2004 and inclusive of October 23, 2004. The Government of India also issued directions to the said banking company under paragraph (2) thereof authorising payment of certain liabilities and obligations. In order to effect an amalgamation of the Global Trust Bank Ltd. with Oriental Bank of Commerce, the Reserve Bank, in exercise of the powers conferred on it by Sub-Section (4) of the said Section, prepared a scheme and forwarded it, in draft, to each of the aforesaid banking companies for suggestions and objections, if any, in terms of clause (a) of Sub-Section (6) of Section 45 <i>ibid</i> by August 7, 2004. The Action Taken Report on the advisory committee (Chairman: Prof. V.S. Vyas) on flow of credit to agriculture and related activities from the banking system outlined a few recommendations for immediate implementation.
	29	<ul style="list-style-type: none"> Banks to insist on a declaration from the account-holder, for opening of current accounts, stating that he/she is not enjoying any credit facility with any other commercial bank or a declaration giving particulars of credit facilities enjoyed by him/her with any other commercial bank(s). Banks also to ascertain whether he/she is a member of any other co-operative society/bank; if so, the full details thereof.
August	3	<ul style="list-style-type: none"> The monetary ceiling of the cases to be referred to the Lok Adalats, organised by Civil Courts were enhanced from Rs.5 lakh to Rs.20 lakh with immediate effect.
	17	<ul style="list-style-type: none"> Banks to convert all their equity holding into dematerialised form by the end of December 2004.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date	Measures	
2004		
August	26	<ul style="list-style-type: none"> Banks to ensure that the schedule of interest/instalment payable on advances on rural housing granted to agriculturists under '<i>Indira Awas Yojana and Golden Jubilee Rural Housing Finance Scheme</i>' are linked to crop cycles.
	28	<ul style="list-style-type: none"> Banks to initiate action at their level to get the Master Policy under Personal Accident Insurance Scheme (PAIS) for KCC holders renewed for a period of one year, on the existing terms and conditions.
September	1	<ul style="list-style-type: none"> Banks to take remedial measures suggested by the Group on Frauds in the area of Housing Finance.
	2	<ul style="list-style-type: none"> Banks permitted to exceed the 25 per cent limit under HTM category provided that the excess comprises only SLR securities and the total SLR securities held in the HTM category is not more than 25 per cent of their NDTL. To enable the above, banks allowed to shift SLR securities to the HTM category. However, no fresh non-SLR securities permitted to be included in the HTM category. 'Yes Bank Limited' included in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from August 21, 2004.
	4	<ul style="list-style-type: none"> Banks (including RRBs) to implement a few recommendations of the Working Group on Flow of Credit to SSI Sector (Chairman: Dr. A. S. Ganguly) as indicated in the Action Taken Report.
	10	<ul style="list-style-type: none"> Banks to open branches having no interface with customers, and which will attend exclusively to data processing, verification and processing of documents, issuance of cheque books, demand drafts etc. on requests received from other branches and other functions incidental to banking business. The licence for such branches to be issued under the 'Service Branch' category.
	11	<ul style="list-style-type: none"> The CRR of SCBs (excluding RRBs) increased by one-half of one percentage point of their Net Demand and Time Liabilities (NDTL) in two stages - 4.75 per cent effective September 18, 2004 and 5.0 per cent effective October 2, 2004.
	20	<ul style="list-style-type: none"> Banks to look into the existing mechanism for vigilance management in their institution and to remove the loopholes, if any, in regard to fixing of staff accountability and completion of staff side action in all the fraud cases within the prescribed time limit, which would act as a deterrent, with a view to reducing the incidence of frauds. They were also to bring to the notice of the Special Committee of the Board constituted to monitor large value frauds, the actions initiated in this regard.
	30	<ul style="list-style-type: none"> The international usage of the term 'Repo' and 'Reverse Repo' under LAF operations to be adopted with effect from October 29, 2004. Accordingly, the current 'Repo' operation where Reserve Bank of India absorbs liquidity will be termed 'Reverse Repo' and the current 'Reverse Repo' operation where RBI injects liquidity will be termed 'Repo'.
October	1	<ul style="list-style-type: none"> General permission for conversion of ECB into equity was granted provided: i) the activity of the company is covered under automatic route, ii) the foreign equity after such conversion falls within the sectoral cap and iii) prescribed pricing guidelines are complied with. The reporting requirements in this regard were also prescribed.
	4	<ul style="list-style-type: none"> Guidelines for implementing the revised Model KCC Scheme of NABARD to take care of the investment credit requirements of farmers viz. allied and non-farm activities, were issued.
	7	<ul style="list-style-type: none"> The Senior Citizens Savings Scheme (SCSS), 2004 being implemented through post offices also to be operated through all the branches of PSBs which are operating 'PPF Scheme, 1968'.
	14	<ul style="list-style-type: none"> Industrial Development Bank of India Limited included in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from October 11, 2004.
	15	<ul style="list-style-type: none"> Banks to implement a few more recommendations of the Advisory Committee on Flow of Credit to Agriculture and Related Activities from the Banking System (Chairman: Prof. V.S. Vyas) accepted for implementation. These include, financing development of wasteland and fallow land, improve staffing in the rural areas to promote retail lending to agriculture, relying on village functionaries for credit disbursement, use of individual volunteers, farmers' clubs or NGOs/SHGs as direct selling

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date	Measures
2004	
October	<p>agents, building synergy between good working primary agricultural credit societies and commercial banks, use of IT in rural branches, working out appropriate incentive structure for prompt repayment, make the rates of interest on small loans reasonable and improve the efficiency of credit delivery to small borrowers, association with contract farming, etc.</p> <ul style="list-style-type: none"> Guidelines relating to the process of issue of Subordinated Debt Instruments under Tier II and Tier III Capital were issued.
	<p>19</p> <ul style="list-style-type: none"> The details of the levy of penalty on a bank to be put in the public domain in the interests of the investors and depositors. The strictures or directions on the basis of inspection reports or other adverse findings also to be placed in the public domain.
	<p>26</p> <ul style="list-style-type: none"> Investments made by banks in securitised assets representing direct lending to the SSI sector to be treated as their direct lending to SSI sector under priority sector provided it satisfies the following conditions: (i) the pooled assets represent direct loans to SSI sector which are reckoned under priority sector; and (ii) the securitised loans are originated by banks/financial institutions. In order to improve flow of credit to small and marginal farmers, the banks to make efforts to increase their disbursements to small and marginal farmers to 40 per cent of their direct advances under Special Agricultural Credit Plans (SACP) by March 2007. Data in respect of lending to small and marginal farmers to be furnished separately in the half-yearly statements on disbursements under SACP. All private sector banks also to formulate SACP targets from the year 2005-06, with an annual growth rate of at least 20-25 per cent of credit disbursements to agriculture. Banks (including RRBs and LABs) with the approval of their Boards, allowed to extend direct finance to housing sector up to Rs.15 lakh irrespective of location, as part of their priority sector lending. In order to facilitate smooth flow of credit to SSIs, the composite loan limit for SSI entrepreneurs enhanced from Rs.50 lakh to Rs.1 crore. Public sector banks to furnish data on lending to agriculture on a monthly basis (as on the last reporting Friday of each month) commencing from October 2004, in the prescribed format on or before the seventh day of the following month to which the data pertains. Banks (excluding RRBs) to advance loans to distressed urban poor to prepay their debt to non-institutional lenders, against appropriate collateral or group security, subject to the guidelines to be approved by their Boards of Directors. Such loans to urban poor may be classified under weaker sections within the priority sector. The minimum maturity period of CP reduced from 15 days to 7 days with immediate effect. The limit on advances under priority sector increased for dealers in agricultural machinery including drip/sprinkler irrigation systems from Rs.20 lakh to Rs.30 lakh and for distribution of inputs for allied activities from Rs.25 lakh to Rs.40 lakh. Effective from the fortnight beginning January 08, 2005, non-bank participants allowed to lend, on average in a reporting fortnight, only up to 30 per cent of their average daily lending in call/notice money market during 2000-01.
November	<p>1</p> <ul style="list-style-type: none"> Banks to formulate a comprehensive and transparent policy covering the three aspects, viz., (i) Immediate credit of local/outstation cheques (ii) Time frame for collection of local/outstation cheques and (iii) Interest payment for delayed collection and the existing instructions in this regard stands withdrawn.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2004		
November	1	<ul style="list-style-type: none"> • Banks allowed to reduce the minimum tenor of domestic/ NRO term deposits at their discretion, even below Rs.15 lakh from 15 days to 7 days. • The requirement of invocation of State Government guarantee for deciding the asset classification and provisioning requirements de-linked and subjected to the same norms as applicable to exposures not guaranteed by the State Governments. • The interest rates offered by the banks (including RRBs) on NRE deposits for one to three years maturity contracted with effect from November 1, 2004 not to exceed the LIBOR/SWAP rates, as on the last working day of the previous month, for US dollar of corresponding maturity plus 50 basis points. • With effect from November 1, 2004, banks allowed to fix the interest rates on FCNR(B) deposits also on the basis of LIBOR/ SWAP rates as prevailing on the last working day of the preceding month. The ceiling on interest rates, however, will continue to be the LIBOR/ SWAP rate minus 25 basis points, as hitherto except in the case of Yen deposits, where banks have the freedom to set the FCNR(B) deposit rates which may be equal to or less than the LIBOR.
B) Urban Co-operative Banks (UCBs)/Regional Rural Banks (RRBs)		
2003		
April	29	<ul style="list-style-type: none"> • All UCBs to introduce mandatory concurrent audit with immediate effect.
May	14	<ul style="list-style-type: none"> • Advances up to Rs.20 lakh per dealer, in drip irrigation/sprinkler irrigation systems and agricultural machinery, to be classified under 'Indirect Finance to Agriculture' as a part of priority sector lending. Direct housing loans up to Rs.10 lakh in rural and semi-urban areas to be reckoned for priority sector lending.
	17	<ul style="list-style-type: none"> • Non-scheduled UCBs permitted to place deposits with strong scheduled UCBs.
	22	<ul style="list-style-type: none"> • Gold loans and small loans upto Rs.1 lakh exempted from the 90 days NPA norm. The 180 days norm to be applicable up to March 31, 2007 as per the guidelines issued on September 4, 2004.
June	13	<ul style="list-style-type: none"> • Primary (Urban) Co-operative Banks to submit half yearly statements showing the progress made by them in deployment of credit to minority communities effective from March 31, 2003 within 15 days from the close of the half year ending March 31 and September 30.
July	8	<ul style="list-style-type: none"> • Primary (Urban) Co-Operative Banks which are not a member of NDS-CCIL system, to undertake their transactions in Government securities through gilt account/demat account maintained with NDS members.
September	5	<ul style="list-style-type: none"> • The number of statements to be submitted by UCBs under off-site surveillance (OSS) returns reduced from 10 to 8. Out of eight returns, one return to be submitted annually and the remaining seven returns to be submitted on a quarterly basis.
	19	<ul style="list-style-type: none"> • UCBs which have not been classified by the Reserve Bank as Grade II, III or IV to declare dividend, provided the dividend pay-out does not impair the bank's liquidity position. Banks classified as Grade II, however, need to obtain prior permission from the concerned Regional Office of the Reserve Bank to declare dividend. • UCBs to net off all entries representing clearing differences 'receivable' against entries representing clearing differences 'payable', of amounts less than Rs.500 which are outstanding in the Clearing Adjustment Accounts for more than three years as on March 31, 2003.
October	18	<ul style="list-style-type: none"> • The interest rates on fresh repatriable -NRE deposits of one to three years not to exceed 25 basis points (as against 250 basis points announced on July 17, 2003 and 100 basis points on September 15, 2003) above the LIBOR/SWAP rates for US dollar of corresponding maturity. The changes in interest rates to be applicable to repatriable NRE deposits renewed after their present maturity period.
	21	<ul style="list-style-type: none"> • UCBs permitted to open demat account with a depository participant to hold PSU securities.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2004		
January	5	<ul style="list-style-type: none"> State/Central Co-operative Banks/RRBs to segregate the debit and credit entries in Inter-Branch Account pertaining to the period upto March 31, 2001 and outstanding as on March 31, 2004 and arrive at a net position. In the case of a net debit, provisioning to be made from the year-ended March 2004. The margin on all advances against shares raised to 50 per cent with immediate effect with no change in the quantum of loan that can be granted. RRBs to review the existing systems and controls and plug the lacunae therein to prevent occurrence of frauds in the housing, consumer and retail finance portfolios.
	17	<ul style="list-style-type: none"> Primary (urban) co-operative banks to desist from the practice of stapling of note packets, and also to refrain from issuing Ashoka Pillar series notes.
February	11	<ul style="list-style-type: none"> UCBs debarred from opening CSDL Accounts of other UCBs. Account, if any, already opened, to be closed immediately.
March	10	<ul style="list-style-type: none"> Master circular on guidelines on credit exposure norms and statutory and other restrictions on loans and advances issued to primary (urban) co-operative banks. Master circular on Board of Directors for primary (urban) co-operative banks issued covering areas concerning the constitution and role of the Board, loans and advances and payment of fees and allowances to directors, etc.
	11	<ul style="list-style-type: none"> The list containing the claims of depositors forwarded by Administrators/Liquidators of UCBs under liquidation/amalgamation/merger/ restructuring to be certified by a Chartered Accountant appointed by the Reserve Bank.
	16	<ul style="list-style-type: none"> Master circular on interest rates on rupee deposits for primary (urban) co-operative banks issued. The areas covered include; i) rate of interest payable on current, saving and term deposit accounts; ii) premature withdrawal of term deposits; iii) guidelines on credit exposure norms and statutory/other restrictions on loans; iv) recurring deposit for reinvestment in term deposit; and v) margin on advances against term deposits and exemptions.
	20	<ul style="list-style-type: none"> UCBs to report serious irregularities, pointed out by the concurrent auditors and action taken to rectify the same.
	26	<ul style="list-style-type: none"> As part of the KYC compliance, a time bound action plan prescribed to ensure verification of the identity and address of the customer on the basis of reliable documents, in respect of all the old accounts.
	29	<ul style="list-style-type: none"> The relaxation in respect of Service Area obligations granted to 97 RRBs for a further period of one year from April 1, 2004, i.e., up to March 31, 2005. The existing arrangement with regard to financing of beneficiaries under SGSY and the priority sector to be continued till March 31, 2005.
April	15	<ul style="list-style-type: none"> Comprehensive guidelines issued for investment in non-SLR securities.
May	20	<ul style="list-style-type: none"> The exemption granted to RRBs from 'mark-to-market' norms in respect of the SLR securities extended for one more year, i.e., up to 2004-05.
	24	<ul style="list-style-type: none"> The primary (urban) co-operative banks to exercise due caution with regard to valuation while sanctioning loans and advances against mortgage of house property.
	26	<ul style="list-style-type: none"> The off-site surveillance system for primary (urban) co-operative banks, already in place for the scheduled UCBs, extended to all non-scheduled UCBs having deposit size of Rs.100 crore and above.
	29	<ul style="list-style-type: none"> Strict confidentiality to be maintained of information provided by the customer for KYC compliance.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2004		
July	13	<ul style="list-style-type: none"> No application for inclusion in the Second Schedule of the Reserve Bank of India Act, 1934 to be considered till a proper legislative framework is put in place for the primary (urban) co-operative banks.
	28	<ul style="list-style-type: none"> The non-scheduled primary (urban) co-operative banks (UCBs) to obtain a certificate from the statutory auditors/chartered accountants, stating that no deposit has been placed with any ineligible bank during the year.
August	6	<ul style="list-style-type: none"> Graded higher provisioning for the RRBs according to the age of NPAs in 'doubtful for more than three years' category, introduced with effect from March 31, 2005.
	7	<ul style="list-style-type: none"> For the loans and advances (both secured and unsecured) sanctioned by the UCBs, the directors and relatives not eligible to stand as surety/guarantor.
	18	<ul style="list-style-type: none"> The balance in the credit of the Subsidy Reserve Fund Account under the credit linked Capital Investment Subsidy Scheme for Construction/Renovation/ Expansion of Rural Godowns not to form a part of Demand and Time Liability (DTL) for the purpose of computation of SLR/CRR.
	19	<ul style="list-style-type: none"> The Gilt Account holders not entitled to undertake any sale transaction unless the security sold is actually held in the Gilt Account of the constituent.
September	2	<ul style="list-style-type: none"> UCBs permitted to exceed the 25 per cent limit under HTM category provided the excess comprises only SLR securities and the total SLR securities held in the HTM category is not more than 25 per cent of their NDTL. To enable the above, UCBs allowed to shift SLR securities to the HTM category. However, no fresh non-SLR securities permitted to be included in the HTM category.
	11	<ul style="list-style-type: none"> CRR of Scheduled State Co-operative Banks, Scheduled Primary (Urban) Co-operative Banks and Regional Rural Banks increased by one-half of one percentage point of their NDTL in two stages, 4.75 per cent effective September 18, 2004 and 5.0 per cent effective October 2, 2004.
	27	<ul style="list-style-type: none"> Additional provisioning to be phased over a five-year period commencing from the year ending March 31, 2005 instead of four years for advances identified as 'doubtful for more than three years'.
October	20	<ul style="list-style-type: none"> UCBs provided with a list indicating the Banks to follow similar practices as the illustrative best practices followed by well-managed banks in the urban banking sector provided by the Reserve Bank as examples. UCBs, however, are free to put in place any other practices, which would result in better customer service, and business development.
	27	<ul style="list-style-type: none"> RRBs permitted to undertake insurance business as corporate agent <i>without risk participation</i> subject to their fulfilling certain terms and conditions related to net worth, gross NPAs, profitability, compliance with IRDA regulations, prudential norms and directions of the Reserve Bank, etc.
November	1	<ul style="list-style-type: none"> The interest rates offered by the State and District Central Co-operative Banks on NRE deposits for one to three years maturity contracted with effect from November 1, 2004 not to exceed the LIBOR/SWAP rates, as on the last working day of the previous month, for US dollar of corresponding maturity plus 50 basis points. UCBs allowed to reduce the minimum tenor of domestic/ NRO term deposits at their discretion, even below Rs.15 lakh from 15 days to 7 days.
	6	<ul style="list-style-type: none"> Banks/FIs reiterated to take immediate steps to ensure submission of periodical data to CIBIL and progress reports to RBI.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
C) Financial Institutions (FIs)		
2003		
May	5	<ul style="list-style-type: none"> Broad guidelines on Fair Practices Code issued.
	30	<ul style="list-style-type: none"> Revised guidelines issued for compromise settlement of chronic NPAs. The last date for receipt of applications under the revised OTS Scheme extended from April 30, 2003 to September 30, 2003 and the date for completion processing of the applications from October 31, 2003 to December 31, 2003.
June	20	<ul style="list-style-type: none"> The submission of the monthly concurrent audit report discontinued with immediate effect. With effect from the half-year ended March 31, 2003, major irregularities observed in the concurrent audit report of the treasury transactions to be incorporated in the half-yearly reviews of the investment portfolio and submitted to the Regional Offices of the Reserve Bank.
July	1	<ul style="list-style-type: none"> Government of India dated securities allowed to be traded on the automated system of the NSE, BSE and OTCEI. FIs allowed to open demat accounts with a Depository Participant (DP) for this purpose in addition to their SGL accounts with the Reserve Bank and value free transfer of securities between SGL/CSGL and demat accounts were enabled.
	17	<ul style="list-style-type: none"> The guidelines on preventing slippage of NPAs to be placed before the Board of Directors of the FIs, and initiate appropriate action for implementing the recommended measures, to the extent considered necessary.
	29	<ul style="list-style-type: none"> Revised guidelines issued to FIs to identify and report instances of wilful default. A grievance redressal mechanism to be created for giving a hearing to borrowers classified as wilful defaulters.
August	1	<ul style="list-style-type: none"> Final guidelines on Consolidated Accounting and Consolidated Supervision issued.
	6	<ul style="list-style-type: none"> Non-bank entities, including corporates, allowed to provide unconditional and irrevocable guarantee for credit enhancement for issue of CPs subject to certain conditions.
November	4	<ul style="list-style-type: none"> Draft guidelines on investment by FIs in debt securities issued covering the following aspects: i) the need for strengthening the internal rating systems of FIs; ii) prudential limits on the exposure through debt securities; iii) review by the Board of directors of FIs; and iv) public disclosures in the 'Notes on Accounts' to the balance sheet.
	15	<ul style="list-style-type: none"> FIs to adopt 90 days norm for recognition of loan impairment with effect from the year ending March 31, 2006. However, FIs permitted to phase out the required provisioning over a period of three years beginning from the year ending March 31, 2006, with a minimum of one-fourth of the additional provisioning to be made each year.
2004		
January	8	<ul style="list-style-type: none"> Effective April 1, 2004, FIs prohibited from investing in unrated debt securities and in debt securities of original maturity of less than one year other than CPs and CDs.
February	17	<ul style="list-style-type: none"> The last date for receipt of applications for OTS of chronic NPAs of banks upto Rs.10 crore extended to July 31, 2004.
July	26	<ul style="list-style-type: none"> FIs to strictly adhere to the single/group borrower prudential exposure ceilings i.e., 15 per cent and 40 per cent, respectively and the additional limits of 5 per cent and 10 per cent, respectively for exposure to infrastructure. FIs could, in exceptional circumstances, with the approval of their Boards, consider enhancement of the exposure to a borrower upto a further 5 per cent of capital funds subject to the borrower consenting to the FIs making appropriate disclosures in their Annual Reports.
August	3	<ul style="list-style-type: none"> Effective March 31, 2005, graded higher provisioning according to the age of NPAs in 'doubtful for more than three years' category introduced.
	30	<ul style="list-style-type: none"> FIs permitted to make fresh investments in equity instruments and hold them in demat form with immediate effect. All outstanding investments in equity in paper-based form to be converted into demat form by the end of December 2004.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2004		
November	1	<ul style="list-style-type: none"> With effect from March 31, 2005, in respect of FIs, an asset to be classified as doubtful asset, if it remained in the sub-standard category for 12 months. FIs permitted to phase out the consequent additional provisioning over a four-year period, commencing from the year ending March 31, 2005, with a minimum of 20 per cent each year.
D) Non-Banking Financial Companies (NBFCs)		
2003		
July	28	<ul style="list-style-type: none"> NBFCs to adopt the Banking Companies (Nomination) Rules 1985 made under Section 45ZA of the Banking Regulation Act, 1949. Accordingly, depositors of NBFCs permitted to nominate one person to whom the NBFCs can return the deposit in the event of death of the depositor/s.
	31	<ul style="list-style-type: none"> NBFCs to maintain an exclusive CSDL account or demat account to hold Government securities for the purpose of compliance with SLR, and separate CSDL or demat account where Government securities in excess of statutory requirement held for trading purpose.
August	1	<ul style="list-style-type: none"> Prudential norms for NBFCs amended in line with the norms governing banks and FIs. The norms <i>inter alia</i> relate to, 1) Period of non-performing assets; 2) Infrastructure loans; 3) Restructuring or reschedulement or renegotiation; 4) Treatment of restructured standard and sub-standard accounts; 5) Funded interest; 6) Income recognition norms; 7) Provisioning; 8) Eligibility for upgradation of restructured sub-standard infrastructure loans; 9) Conversion of debt into equity or debentures; 10) Applicability of restructuring and other norms to loans other than infrastructure loans; and 11) Internal adjustment.
	28	<ul style="list-style-type: none"> An NBFC, which is a securitisation/reconstruction company, registered with the Reserve Bank under Section 3 of the SARFAESI Act, 2002, exempted from provisions of Sections 45-IA, 45-IB and 45-IC of the Reserve Bank of India Act, 1934. Section 45-IA defines requirement of registration and net owned fund, section 45-IB deals with maintenance of percentage of assets in unencumbered approved securities, and section 45-IC deals with reserve funds of NBFCs.
September	17	<ul style="list-style-type: none"> The rate of interest on NRI deposits for one to three years on repatriable basis payable by NBFCs, Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs) linked to the interest rate on NRE deposits payable by scheduled commercial bank.
November	3	<ul style="list-style-type: none"> All new loans granted by banks to NBFCs for the purpose of on-lending to the SSI sector to be reckoned under the priority sector lending.
2004		
January	5	<ul style="list-style-type: none"> KYC guidelines for NBFCs issued on lines similar to those prescribed for SCBs. In addition to personal introduction, documentary evidence to be used in the identification of a new customer. For the existing customers, NBFCs to ensure that gaps and missing information in compliance of KYC guidelines on customer identification procedure were filled up and completed before June 30, 2004. NBFCs to keep record of transactions of Rs.10 lakh and above in a separate register maintained at branch as well as at the Registered Office.
February	10	<ul style="list-style-type: none"> NBFCs registered with the Reserve Bank permitted to take up insurance agency business on a fee basis and without risk participation provided they: <ol style="list-style-type: none"> i) obtain requisite permission from the IRDA and comply with its regulations for acting as 'composite corporate agent' with insurance companies, ii) do not adopt any restrictive practice of forcing its customers to go in only for a particular insurance company in respect of assets financed by NBFCs, and iii) disclose that there is no 'linkage' either direct or indirect between the provision of financial services offered by NBFCs to its customers and use of the insurance products. The premium to be paid by the insured directly to the insurance company without routing through the NBFC. The risks, if any, involved in insurance agency not to get transferred to the business of the NBFC.

Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
2004		
March	11	<ul style="list-style-type: none"> A master circular on lending to NBFCs issued covering detailed guidelines on i) eligibility criteria for NBFCs for bank finance, and ii) activities undertaken by NBFCs that are not eligible for bank credit. Banks also prohibited from entering into lease agreements departmentally with equipment leasing companies as well as other NBFCs engaged in equipment leasing. Banks also prohibited from granting bridge loans.
April	24	<ul style="list-style-type: none"> NBFCs prohibited to accept fresh NRI deposits with effect from April 24, 2004, but allowed to renew the deposits already accepted.
May	17	<ul style="list-style-type: none"> NBFCs/RNBCs to authorise designated banks for collection of interest on due dates, on securities held in physical form, lodged for safe custody with the designated banks.
June	15	<ul style="list-style-type: none"> NBFCs exposure to PFIs to attract the risk-weight of 100 per cent. The definition of infrastructural loans also expanded.
	22	<ul style="list-style-type: none"> The investment pattern prescribed for RNBCs rationalised for imparting liquidity and safety to the investments of RNBCs and for enhancing depositors' protection. Other measures included: i) phasing out of discretionary investment of RNBCs by April 1, 2004, ii) restriction of investments in specified financial institutions to only CD instruments of rating AA+ and above, iii) additional investment of 15 per cent of the deposits in securities issued by the Central and State Governments, in the course of their market borrowing programme, iv) investment in bonds and debentures to be limited to listed securities of rating AA+ and above, v) investments in mutual funds restricted to only debt oriented schemes with a sub limit of 2 per cent in any one fund, and vi) exposure to a single SCB restricted to one per cent of aggregate deposit liabilities of the SCB and to a single specified FI to one per cent of the deposits of the RNBCs.
July	24	<ul style="list-style-type: none"> NBFCs which were granted certificate of registration (CoR) in the non-public deposit taking category to meet the minimum NOFs requirement of Rs.2 crore for being eligible to apply to RBI for accepting public deposits.
October	5	<ul style="list-style-type: none"> The minimum lock-in-period was retained within which a NBFC, RNBC or MNBC shall not repay a public deposit (in case of NBFC) or deposit (in case of RNBC and MNBC) or grant any loan against such deposits. It was also decided to stratify the NBFCs, MNBCs and RNBCs for the purpose of permission to prepay the deposits (after the lock-in period) into two categories, viz., 'problem NBFCs, MNBCs, and RNBCs' and normally run companies'. Accordingly, different set of norms issued for the two groups as per the prepayment norms and the interest rates to be paid on the deposits.
November	13	<ul style="list-style-type: none"> A quarterly reporting arrangement introduced for NBFCs not accepting/holding public deposits and having assets size of Rs.500 crore and above as on March 31, 2004.
E) Primary Dealers (PDs)		
2003		
April	3	<ul style="list-style-type: none"> Operational guidelines issued to Clearing Corporation of India Ltd. (CCIL) for a limited purpose Government securities lending scheme. The CCIL permitted to enter into an arrangement with any of its members for borrowing Government securities for the purpose of handling securities shortage in settlement of transactions in Government securities subject to the operational guidelines.
	10	<ul style="list-style-type: none"> Operational guidelines issued to PDs for Portfolio Management Services (PMS). PDs will require prior approval of the Reserve Bank and registration with SEBI before undertaking PMS activity. They are permitted to offer PMS services only to entities not regulated by the Reserve Bank.
	29	<ul style="list-style-type: none"> Collateralised Borrowing and Lending Obligations (CBLO) borrowings exempted from CRR subject to the bank maintaining the statutory minimum CRR of 3.0 per cent. Securities lodged in the gilt account of the bank maintained with CCIL under CSGL facility for CBLO remaining unencumbered at the end of any day reckoned for SLR purposes by the concerned bank.
June	3	<ul style="list-style-type: none"> PDs permitted to transact only in interest rate futures on notional bonds and T-bills for the limited purpose of hedging the risk in their underlying investment portfolio subject to prudential guidelines and appropriate disclosures with a view to enabling management of exposure to interest rate risk.

Annex: Chronology of Major Policy Developments (Concluded)

Announcement Date		Measures
2003		
June	11	<ul style="list-style-type: none"> • PDs permitted to hold trading positions in interest rate futures.
September	22	<ul style="list-style-type: none"> • The returns submitted by the PDs rationalized. Six returns were discontinued and three returns were revised.
2004		
January	7	<ul style="list-style-type: none"> • Revised guidelines on Capital Adequacy Standards and Risk Management issued.
	29	<ul style="list-style-type: none"> • A new quarterly return (PDR-IV) on major financial indicators and various ratios introduced from the quarter ended December 31, 2003.
March	8	<ul style="list-style-type: none"> • Prudential guidelines on investment in non-Government securities issued.
	29	<ul style="list-style-type: none"> • Under revised guidelines relating to sale of Government securities, PDs to sell a security against an existing confirmed purchase contract provided the contract is guaranteed for settlement by a central counter party like CCIL or counter party to that contract is Reserve Bank. Certain safeguards were prescribed for compliance with the guidelines. To facilitate settlement under the revised guidelines, settlement of Government securities transactions changed to the DVP - III mode so that each security is deliverable/receivable on a net basis for a particular settlement cycle as against the current system of gross settlement of securities under the DVP - II mode. These changes also facilitated the roll over of repurchase transactions.
June	3	<ul style="list-style-type: none"> • Guidelines on dividend distribution based on payout ratio linked to CRAR issued.
July	23	<ul style="list-style-type: none"> • In the context of the increased quantum of issuance of Treasury bills under the 'Market Stabilisation Scheme', the success ratio requirement of 40 per cent of bidding commitment in Treasury Bill auctions for PDs to be monitored on a half yearly basis. Each PD to achieve the required level of success ratio in each half year (April to September and October to March) separately.
August	24	<ul style="list-style-type: none"> • PDs to hold all their equity investments only in dematerialised form by the end of December 2004.
October	15	<ul style="list-style-type: none"> • Guidelines on issue of subordinated debt instruments under Tier II and Tier III capital issued.
	26	<ul style="list-style-type: none"> • The fixed repo rate increased by 25 basis points to 4.75 per cent from the present 4.50 per cent points under LAF of the Reserve Bank. With effect from October 27, 2004, the spread between the repo rate and the reverse repo rate reduced by 25 basis points, from 150 basis points to 125 basis points. Accordingly, the fixed reverse repo rate under LAF will continue to remain at 6.0 per cent. The switchover to the international usage of the terms 'repo' and 'reverse repo' was effected from October 29, 2004. To enhance further the effectiveness of LAF and to facilitate liquidity management in a flexible manner, the auctions of 7-day and 14-day repo (reverse repo in international parlance) will stand discontinued with effect from November 1, 2004. Accordingly, the LAF Scheme would be operated through overnight fixed rate repo and reverse repo with effect from November 1, 2004.
November	13	<ul style="list-style-type: none"> • All PDs to ensure that whenever defaults (in maintaining sufficient balances in the current and/or SGL accounts to meet their commitments arising out of transactions) take place, they should immediately report the details of such defaults to the Reserve Bank.