

## Annex: Chronology of Major Policy Developments

Announcement Date	Measures	
<b>A) Commercial Banks</b>		
<b>2004</b>		
April	10	<ul style="list-style-type: none"> <li>Revised norms issued with regard to cheque Drop Box facility, delivery of cheque books over the counter and statement of accounts/pass book.</li> </ul>
	19	<ul style="list-style-type: none"> <li>All Scheduled Commercial Banks (SCBs) advised of the State/Union Territory-wise physical targets for sanctioning and disbursing of loans under the Prime Minister Rozgar Yojana (PMRY) for the purpose of their quarterly targets to be achieved by end-March 2005.</li> </ul>
	22	<ul style="list-style-type: none"> <li>Banks advised to inform their account holders, at least one month in advance of any change in the prescribed minimum balance and the charges that may be levied if the minimum balance is not maintained.</li> </ul>
	23	<ul style="list-style-type: none"> <li>Guidelines relating to the eligibility criteria (inclusive of minimum CRAR, non-performing asset and regulatory compliance) for declaration of dividend by commercial banks without prior approval of the Reserve Bank as well as the quantum of dividend payable (with a ceiling placed at 33 1/3 per cent dividend payout ratio and methods of compilation of the ratio prescribed) modified.</li> </ul>
	30	<ul style="list-style-type: none"> <li>Banks (excluding RRBs and LABs) advised to review at regular intervals policies and practices relating to information system (IS) audit and place the audit reports before the top management. Banks to adopt an IS Audit Policy appropriate to their level of computerisation, review the same at regular intervals in tune with industry best practices and guidelines issued by the Reserve Bank.</li> <li>Banks (excluding RRBs) advised 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.</li> </ul>
May	8	<ul style="list-style-type: none"> <li>All SCBs advised that the subsidy under Swarna Jayanti Shahari Rozgar Yojana (SJSRY) would be back-ended, with a lock-in period of 2 years.</li> </ul>
	12	<ul style="list-style-type: none"> <li>SCBs advised to strictly maintain the confidentiality of information provided by the customer for 'Know Your Customer' (KYC) compliance.</li> </ul>
	15	<ul style="list-style-type: none"> <li>Banks directed to scrupulously 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 non-objection certificate from the lending banks.</li> </ul>
	18	<ul style="list-style-type: none"> <li>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.</li> </ul>
	20	<ul style="list-style-type: none"> <li>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.</li> </ul>
June	11	<ul style="list-style-type: none"> <li>To give boost to infrastructure lending, banks allowed to raise long-term bonds with a minimum maturity of five years.</li> </ul>
	15	<ul style="list-style-type: none"> <li>The risk weight in respect of exposure by banks to public financial institutions (PFIs) raised to 100 per cent for credit risk and 2.5 per cent for market risk effective April 1, 2005.</li> </ul>
	17	<ul style="list-style-type: none"> <li>The extant limits on unsecured exposures by banks withdrawn, allowing banks to set their own limits for unsecured exposures. Unsecured exposures were redefined and it was clarified that unsecured sub-standard assets would attract 20 per cent provisioning.</li> <li>The currency of the <i>ad hoc</i> Committees on Procedures and Performance Audit on Customer Services in Banks was extended by six months and they were advised to complete the work within one year from the date of their constitution and also to associate non-officials in the Committees.</li> <li>The extant guidelines on country risk management extended to cover countries where a bank has net funded exposure of one per cent or more of its assets with effect from the year ended March 31, 2005.</li> </ul>

**Annex: Chronology of Major Policy Developments (Continued)**

Announcement Date	Measures
<b>2004</b>	
June	<p>18</p> <ul style="list-style-type: none"> <li>Banks advised to draw a roadmap for migration to Basel II norms by the end of 2004 and prepare a quarterly review of the progress made.</li> </ul>
	<p>21</p> <ul style="list-style-type: none"> <li>Boards of banks to oversee furnishing of requisite information of all borrowers to CIBIL and report compliance of the same to the Reserve Bank. The role of CIBIL in dissemination of credit information was clarified. CIBIL to move towards a sufficiently diversified ownership structure with no single entity owning more than 10 per cent of its paid-up capital.</li> <li>Graded higher provisioning requirement according to the age of NPAs in 'doubtful for more than three years' category introduced for SCBs, with effect from March 31, 2005. Similar norms made applicable to RRBs on August 6, 2004.</li> <li>It was clarified that the process of identifying wilful defaulters and the mechanism related to redressal of grievances are two distinct processes. The borrower should be suitably advised before being classified as a wilful defaulter.</li> <li>Banks to fully adhere to the '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.</li> <li>The vigilance procedure in public sector banks modified. Only such vigilance cases in which an officer of the level of Scale V and above is involved are required to be referred to the Central Vigilance Commission (CVC) for advice.</li> <li>Boards of banks, under exceptional circumstances, allowed to raise single or group exposure limit by 5 per cent of capital funds.</li> </ul>
	<p>24</p> <ul style="list-style-type: none"> <li>Banks to provide for capital charge for market risk in respect of trading book exposures (including derivatives), effective March 31, 2005. Capital charge would be introduced for securities under 'Available for Sale' (AFS) category with effect from March 31, 2006.</li> <li>Prudential norms on income recognition, asset classification and provisioning with respect to agricultural advances modified with a view to aligning the repayment dates with harvesting of crops. Effective September 30, 2004 a loan granted for short duration crops were required 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 crops (with crop season longer than one year) is to be treated as NPA, if the instalment of principal or interest thereon remains unpaid for one crop season beyond the due date.</li> <li>All commercial banks advised to implement the measures, announced by the Union Finance Minister, for doubling the flow of credit to agriculture.</li> </ul>
July	<p>6</p> <ul style="list-style-type: none"> <li>The types of instruments to be included in the prudential limit of bank's aggregate investment in Tier-II bonds widened.</li> </ul>
	<p>20</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
	<p>23</p> <ul style="list-style-type: none"> <li>Additional measures relating to wilful defaulters introduced. These included: 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.</li> </ul>

### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
<b>2004</b>		
July	26	<ul style="list-style-type: none"> <li>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.</li> </ul>
	29	<ul style="list-style-type: none"> <li>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 insist on 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.</li> </ul>
	30	<ul style="list-style-type: none"> <li>Norms for inclusion of Self Help Groups (SHGs) for assistance under Prime Minister Rozgar Yojana (PMRY) modified.</li> </ul>
August	3	<ul style="list-style-type: none"> <li>The monetary ceiling of the cases to be referred to the <i>Lok Adalats</i>, organised by Civil Courts, enhanced from Rs.5 lakh to Rs.20 lakh.</li> </ul>
	17	<ul style="list-style-type: none"> <li>Banks to convert all their equity holding into dematerialised form by the end of December 2004.</li> </ul>
	26	<ul style="list-style-type: none"> <li>Banks to ensure that the schedule of interest/instalment payable on advances on rural housing granted to agriculturists under 'Indira Awas Yojana and Golden Jubilee Rural Housing Finance Scheme' is linked to crop cycles.</li> </ul>
	28	<ul style="list-style-type: none"> <li>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.</li> </ul>
September	1	<ul style="list-style-type: none"> <li>Banks to take remedial measures suggested by the Group on Frauds in the area of housing finance.</li> </ul>
	2	<ul style="list-style-type: none"> <li>Banks permitted to exceed the 25 per cent limit under Held to Maturity (HTM) category provided that the excess comprises only SLR securities and the total SLR securities held in the HTM category are not more than 25 per cent of their NDTLs. To enable the above, banks were allowed to shift SLR securities to the HTM category. However, no fresh non-SLR securities are permitted to be included in the HTM category once more during the year 2004-05.</li> <li>'Yes Bank Limited' included in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from August 21, 2004.</li> </ul>
	4	<ul style="list-style-type: none"> <li>Some recommendations of the Ganguly Working Group on Flow of Credit to SSI Sector were accepted and advised to banks for implementation. These include: (i) identification of new clusters and adoption of cluster based approach for financing the SME sector; (ii) sponsoring specific projects as well as widely publicising the successful working models of NGOs; (iii) sanctioning higher working capital limits to SSI in the North East region for maintaining higher levels of inventory; and (iv) exploring new instruments for promoting rural industry.</li> </ul>
	10	<ul style="list-style-type: none"> <li>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.</li> </ul>
	11	<ul style="list-style-type: none"> <li>The CRR applicable in respect of SCBs 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.</li> </ul>
October	4	<ul style="list-style-type: none"> <li>Guidelines issued for implementing the revised Model KCC Scheme of NABARD to take care of the investment credit as also working capital for agriculture and allied activities and a reasonable component for consumption needs.</li> </ul>

**Annex: Chronology of Major Policy Developments (Continued)**

Announcement Date		Measures
<b>2004</b>		
October	7	<ul style="list-style-type: none"> <li>The Senior Citizens Saving Scheme (SCSS), 2004 being implemented through post offices also to be operated through all the branches of public sector banks (PSBs) which are operating 'PPF Scheme, 1968'.</li> </ul>
	14	<ul style="list-style-type: none"> <li>Industrial Development Bank of India (IDBI) Ltd. included in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from October 11, 2004.</li> </ul>
	15	<ul style="list-style-type: none"> <li>Banks to implement a few more recommendations of the Vyas Committee. These included: (i) financing development of wasteland and fallow land; (ii) improving staffing in the rural areas to promote retail lending to agriculture; (iii) relying on village functionaries for credit disbursal; (iv) using individual volunteers, farmers' clubs or NGOs/SHGs as direct selling agents; (v) building synergy between good working primary agricultural credit societies and commercial banks; (vi) using Information Technology (IT) in rural branches; (vii) working out appropriate incentive structure for prompt repayment; (viii) making the rates of interest on small loans reasonable; and (ix) improving the efficiency of credit delivery to small borrowers and association with contract farming.</li> <li>Guidelines relating to the process of issue of Subordinated Debt Instruments under Tier-II and Tier-III Capital issued.</li> </ul>
	19	<ul style="list-style-type: none"> <li>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.</li> </ul>
	27	<ul style="list-style-type: none"> <li>RRBs permitted to undertake insurance business as corporate agent without risk participation subject to their fulfilling certain terms and conditions related to net worth, gross NPAs, profitability, compliance with IRDA regulations and prudential norms and directions of the Reserve Bank.</li> </ul>
November	1	<ul style="list-style-type: none"> <li>Banks advised to formulate a comprehensive and transparent policy covering: (i) immediate credit of local/outstation cheques; (ii) time frame for collection of local/outstation cheques; and (iii) interest payment for delayed collection.</li> <li>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.</li> </ul>
	6	<ul style="list-style-type: none"> <li>Banks advised to take immediate steps to ensure submission of periodical data to CIBIL and progress reports to the Reserve Bank.</li> </ul>
	24	<ul style="list-style-type: none"> <li>Banks advised to restructure crop loans and agricultural term loans only in respect of the overdue instalments including interest thereon as on March 31, 2004. The farmers whose loans have been restructured as above would be eligible for fresh loans. The rescheduled/restructured loans as also the fresh loans to be issued to the farmers may be treated as current due and need not be classified as NPA.</li> </ul>
	29	<ul style="list-style-type: none"> <li>Comprehensive guidelines on 'Know Your Customer' norms and Anti-Money Laundering Measures issued. Banks advised to frame their KYC policies incorporating the following four key elements: (i) Customer Acceptance Policy; (ii) Customer Identification Procedures; (iii) Monitoring of Transactions; and (iv) Risk Management. Similar guidelines were issued to RRBs on February 18, 2005.</li> </ul>
December	8	<ul style="list-style-type: none"> <li>The Service Area Approach (SAA) introduced in April 1989 was reviewed and it was decided to dispense with the restrictive provisions of the scheme, while retaining the positive features such as credit planning and monitoring of the credit purveyance.</li> <li>The recommendations of the Ganguly Working Group with regard to evaluation of methods of utilisation of deposits made by foreign banks with SIDBI for shortfall in their priority sector obligation accepted. Accordingly, the amount of shortfall in priority sector obligation to be placed with SIDBI for a tenor of three years and the funds so placed to have a graded interest rate structure.</li> </ul>
	15	<ul style="list-style-type: none"> <li>Banks advised to align their priority sector lendings/ investments suitably so as to comply with the extant guidelines.</li> </ul>
	16	<ul style="list-style-type: none"> <li>Banks advised that the due diligence in respect of members of the Nomination Committee be carried out by the Board itself.</li> </ul>

### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
<b>2004</b>		
December	21	<ul style="list-style-type: none"> <li>Comprehensive guidelines issued to banks to play a proactive role in achieving the targets set under the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme.</li> </ul>
	23	<ul style="list-style-type: none"> <li>Risk weight on housing loans extended by SCBs increased from 50 per cent to 75 per cent and in the case of consumer credit including personal loans and credit cards increased from 100 per cent to 125 per cent.</li> </ul>
	24	<ul style="list-style-type: none"> <li>Banks advised that the finance extended to employees for purchasing shares of their own companies under ESOP would continue to be treated as banks' exposure to capital market within the overall ceiling of 5 per cent, as hitherto.</li> </ul>
	27	<ul style="list-style-type: none"> <li>Banks maintaining currency chests advised to direct all their branches to accept coins of all denominations tendered at their counters either for exchange or for deposit in accounts.</li> </ul>
	30	<ul style="list-style-type: none"> <li>Banks advised to enhance the amount of consumption loan for general purposes to Rs.3,000 for people affected by <i>Tsunami</i>.</li> </ul>
<b>2005</b>		
January	4	<ul style="list-style-type: none"> <li>Guidelines on receipt of foreign contributions by Associations/ Organisations in India under Foreign Contribution (Regulation) Act, 1976 for <i>Tsunami</i> Relief issued to banks.</li> </ul>
	18	<ul style="list-style-type: none"> <li>Banks advised to formulate suitable loan policies to finance second hand assets, both directly and through NBFCs.</li> <li>Banks advised to ensure acceptance of coins of all denominations without any restriction from the members of the public by their branches.</li> </ul>
February	15	<ul style="list-style-type: none"> <li>Detailed prudential guidelines issued to banks on capital adequacy for implementation of the New Capital Adequacy framework under Basel II. In order to maintain consistency and harmony with international standards, banks were advised to adopt Standardised Approach for credit risk and Basic Indicator Approach for operational risk with effect from March 31, 2007. The Reserve Bank may consider allowing some banks to migrate to Internal Rating Based (IRB) approach after developing adequate skills both in banks and at supervisory levels. Under the new framework, banks adopting Standardised Approach would use the ratings assigned only by those credit rating agencies which are identified by the Reserve Bank. Banks were also required to focus on formalising and operationalising their internal capital adequacy assessment process (CAAP) which would serve as a useful benchmark while undertaking the parallel run with effect from April 1, 2006.</li> </ul>
	28	<ul style="list-style-type: none"> <li>Comprehensive guidelines issued on ownership and governance in private sector banks encompassing the minimum capital requirement, diversified ownership, procedures for acquisition and transfer of shares, 'fit and proper' criteria for the directors and important shareholders.</li> <li>Roadmap for presence of foreign banks in India laid out in two phases. In the first phase (March 2005 to March 2009) foreign banks wishing to establish presence in India for the first time could either choose to operate through branch presence or set up a 100 per cent wholly owned subsidiary (WOS), following the one-mode presence criterion. For new and existing foreign banks, it was proposed to go beyond the existing WTO commitment of 12 branches in a year. Initially entry of foreign banks would be permitted only in private sector banks that are identified by the Reserve Bank for restructuring, wherein foreign banks would be allowed to acquire a controlling stake in a phased manner. In the second phase beginning April 2009, the experience with Phase I would be reviewed and after due consultations with all stakeholders in the banking sector issues concerning extension of national treatment to WOS, dilution of stake and permitting mergers and acquisitions of any private sector banks in India by a foreign bank would be examined.</li> </ul>
March	1	<ul style="list-style-type: none"> <li>Master circular issued to SCBs (including RRBs/LABs) in regard to matters relating to lending to the small scale industries sector.</li> </ul>
	3	<ul style="list-style-type: none"> <li>SCBs to report to NABARD and the Reserve Bank the progress under micro credit on a half-yearly basis as at the end of March and September of every year.</li> <li>Effective March 31, 2005, SCBs to disclose a minimum framework on their risk exposure in derivatives.</li> </ul>

**Annex: Chronology of Major Policy Developments (Continued)**

Announcement Date		Measures
<b>2005</b>		
March	11	<ul style="list-style-type: none"> <li>Parameters on pilot implementation of Cheque Truncation Image Standards issued to banks.</li> <li>Draft guidelines on implementation of the New Capital Adequacy Framework issued for comments on management of operational risk.</li> </ul>
	29	<ul style="list-style-type: none"> <li>Banks advised to exercise caution in outsourcing of their systems and ensure that risks in this regard are minimised.</li> </ul>
	30	<ul style="list-style-type: none"> <li>Banks advised to implement some recommendations of the Vyas Committee. These included: (i) constitution of local advisory committee for all rural branches/group of branches; (ii) setting up of micro-finance cells at banks, central offices; and (iii) encouraging SHGs to use local book writers in association with concerned agencies promoting these SHGs for maintaining the quality of books of accounts.</li> </ul>
April	4	<ul style="list-style-type: none"> <li>Comprehensive draft guidelines issued on securitisation of standard assets.</li> </ul>
	7	<ul style="list-style-type: none"> <li>The lending and deposit rates of interest restructured in the case of amounts disbursed on or before October 31, 2003 out of RIDF IV to VII, effective April 16, 2005.</li> </ul>
	11	<ul style="list-style-type: none"> <li>Detailed guidelines issued to banks on rural lending under Annual Credit Plans on the basis of Potential Linked Plans (PLPs) prepared by NABARD.</li> <li>Banks to pay compensation for delayed credit under ECS/EFT/SEFT <i>suo moto</i>.</li> </ul>
	12	<ul style="list-style-type: none"> <li>Comprehensive draft guidelines issued on purchase / sale of non-performing assets.</li> </ul>
	13	<ul style="list-style-type: none"> <li>The rate of interest to be charged on group loans under SGSY linked to per capita size of the loans.</li> </ul>
	15	<ul style="list-style-type: none"> <li>Banks advised to put in place a Business Continuity Plan including a robust information risk management system within a fixed time frame.</li> </ul>
	16	<ul style="list-style-type: none"> <li>Banks advised to take necessary action to convert the existing <i>ad hoc</i> Committees on Procedures and Performance Audit of Public Services (CPPAPS) into a Standing Committee on Customer Service.</li> </ul>
	19	<ul style="list-style-type: none"> <li>Banks advised on the role of Customer Service Committee of the Board for monitoring the implementation of awards under the Banking Ombudsman Scheme.</li> </ul>
	27	<ul style="list-style-type: none"> <li>Banks permitted to shift their rural branches within the block/service area without obtaining prior approval of the Reserve Bank, subject to their complying with certain conditions.</li> </ul>
	30	<ul style="list-style-type: none"> <li>Banks allowed to formulate schemes for providing services at the premises of a customer within the framework of Section 23 of the Banking Regulation Act, 1949 and submit to the Reserve Bank for approval.</li> <li>Banks with capital of at least 9 per cent of the risk weighted assets for both credit risk and market risk for both HFT and AFS category of investments may treat the balance in excess of 5 per cent of securities included under HFT and AFS categories, in the IFR as Tier-I capital.</li> </ul>
May	4	<ul style="list-style-type: none"> <li>General permission granted to banks to declare dividends, subject to the fulfilment of certain conditions, including observance of minimum CRAR and NPA ratio, subject to a ceiling of dividend payout ratio of 40 per cent.</li> <li>Effective quarter ended June 2005, the time limit for filing the monthly and quarterly off-site returns changed to 15 days and 21 days, respectively, from the close of the relevant period for all categories of banks.</li> </ul>
	6	<ul style="list-style-type: none"> <li>Draft Guidelines on Corporate Debt Restructuring (CDR) proposed.</li> </ul>
	11	<ul style="list-style-type: none"> <li>Detailed guidelines for merger/amalgamation of private sector banks issued laying down the process of merger proposal, determination of swap ratios, disclosures, the stages at which Boards will get involved in the merger process and norms of buying/selling of shares by the promoters before and during the process of merger.</li> </ul>
	12	<ul style="list-style-type: none"> <li>Comprehensive guidelines issued allowing all Regional Rural Banks (RRBs) to undertake insurance business on a referral basis, subject to certain conditions.</li> </ul>

### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date	Measures	
<b>2005</b>		
May	13	<ul style="list-style-type: none"> <li>The Vision Document on Payment and Settlement System 2005-08 released.</li> </ul>
	20	<ul style="list-style-type: none"> <li>Banks advised to initiate early action with regard to scheme for "Small Enterprises Financial Centres" (SEFCs) envisaged for forming a strategic alliance between branches of banks and SIDBI located in the clusters for improving credit flow to the SSIs sector.</li> </ul>
	26	<ul style="list-style-type: none"> <li>SCBs advised to put in all efforts to achieve the credit mobilisation targets under SGSY during 2005-06, including the minimum subsidy credit ratio fixed and maintain per family investment of Rs.25,000.</li> </ul>
June	7	<ul style="list-style-type: none"> <li>Banks allowed to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures/wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment in terms of a Board approved policy, duly incorporated in the loan policy of the bank.</li> </ul>
	9	<ul style="list-style-type: none"> <li>Instructions issued to banks, in supersession of all earlier instructions on settlement of claims in respect of deceased depositors, covering aspects relating to (i) access to balance in deposit account; (ii) premature termination of term deposit accounts; (iii) treatment of flows in the name of the deceased depositor; (iv) access to the safe-deposit lockers/ safe custody articles; and (v) time limit for settlement of claims.</li> <li>Banks (both in private and public sectors) need not obtain approval of the Reserve Bank for permitting any of their whole-time officers or employees (other than Chairmen/CEOs) to become Director or a part-time employee of any other company.</li> </ul>
	14	<ul style="list-style-type: none"> <li>Processing charges waived for all electronic products for transactions under EFT, SEFT and ECS facility involving Rs.2 crore and above with effect from June 14, 2005 up to the period ending March 31, 2006. This was in addition to the existing waiver on transactions involving less than Rs.2 crore.</li> </ul>
	20	<ul style="list-style-type: none"> <li>Banks advised that while furnishing data/information to the Government or other investigating agencies they should satisfy themselves that the information is not of such a nature as will violate the provisions of the laws relating to secrecy in banking transactions.</li> </ul>
	24	<ul style="list-style-type: none"> <li>For the purpose of Section 20 of the Banking Regulation Act, 1949 the term "loans and advances" shall not include line of credit/ overdraft facility extended by settlement bankers to National Security Clearing Corporation Limited (NSCCL) to facilitate smooth settlement.</li> </ul>
	25	<ul style="list-style-type: none"> <li>The banks going for rights issues should henceforth make complete disclosure of the regulatory requirements in their offer documents.</li> </ul>
	29	<ul style="list-style-type: none"> <li>Banks advised to have a Board mandated policy in respect of their real estate exposure covering exposure limits, collaterals to be considered, margins to be kept, sanctioning authority/level, sector to be financed. Banks also directed to report their real estate exposure under certain heads and disclose their gross exposure to real estate sector as well as the details of the break-up in their Annual Reports.</li> </ul>
July	13	<ul style="list-style-type: none"> <li>Banks advised to furnish information on pricing of services for products based on RTGS / SEFT/ EFT/ECS infrastructure.</li> <li>Guidelines on sale/purchase of NPAs, including valuation and pricing aspects, and prudential and disclosure norms.</li> </ul>
	20	<ul style="list-style-type: none"> <li>Prior approval of the Reserve Bank not required for offering Internet Banking services, subject to fulfilment of certain conditions.</li> </ul>
	23	<ul style="list-style-type: none"> <li>The authority to grant permission to companies listed on a recognised stock exchange to hedge the price risk in respect of any commodity (except gold, silver, petroleum and petroleum products) in the international commodity exchanges/markets delegated to select commercial banks.</li> </ul>
	26	<ul style="list-style-type: none"> <li>The risk weight for credit risk on capital market and commercial real estate exposures increased from 100 per cent to 125 per cent.</li> </ul>

### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
<b>2005</b>		
July	29	<ul style="list-style-type: none"> <li>Guidelines issued for relief measures by banks in areas affected by unprecedented rains and floods in Maharashtra. Accordingly, banks were advised to consider granting consumption loans to the affected persons up to Rs.5,000 without any collateral and Rs.10,000 at the discretion of the branch manager, depending on the repaying capacity of the borrower.</li> </ul>
August	2	<ul style="list-style-type: none"> <li>Banks advised to issue necessary instructions to the Controlling Offices of currency chest branches for ensuring verification of balances as per the minimum periodicity stipulated in this regard and the essential safeguards in the internal control system (such as surprise verification/joint custody, etc.) are adhered to.</li> <li>In view of the natural calamity and the need to provide immediate succour, banks instructed to observe minimum formalities for enabling such persons to open bank account quickly.</li> </ul>
	3	<ul style="list-style-type: none"> <li>Banks advised to formulate a detailed mid-term corporate plan for branch expansion for a three-year period with the approval of the Board. The plan should cover all categories of branches/offices having customer contact, including specialised branches, Extension Counters and number of ATMs etc. The plan should be formulated on district-wise basis giving number of branches proposed to be opened in metropolitan/urban/semi-urban/rural areas. The proposal for branch expansion with the above mentioned details should be submitted on an annual basis by December every year.</li> </ul>
	19	<ul style="list-style-type: none"> <li>In pursuance to the announcement made by the Union Finance Minister for stepping up credit to small and medium enterprises, public sector banks were advised to take measures to improve the flow of credit to the sector. A reporting and monitoring system for the same was also prescribed. Similar guidelines issued to private sector banks, foreign banks, RRBs and LABs on August 25, 2005.</li> </ul>
	23	<ul style="list-style-type: none"> <li>Banks advised to make all out efforts in achieving the targets set for increasing the credit flow to SCs/STs under priority sector advances as well as under the Government Sponsored Schemes such as SGSY, SJSRY, SLRS and PMRY. Banks also instructed to ensure that sufficient publicity is given on the facilities extended to SCs/STs and all the instructions contained in the Master Circular on Credit facilities to SC/STs are strictly followed.</li> <li>The KYC procedure for opening accounts simplified further for those persons who intend to keep balances not exceeding rupees fifty thousand (Rs.50,000) in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed rupees one lakh (Rs.1,00,000) in a year. Banks may open accounts with introduction from another account holder (holding account for at least six months) who has been subjected to full KYC procedure or any other evidence as to identify and address of the customer to the satisfaction of the bank. Similar guidelines were also issued to RRBs.</li> </ul>
	31	<ul style="list-style-type: none"> <li>Local Area Banks were advised to submit returns and statements to the departments / offices of RBI as indicated in Annexure 'A' and 'B' enclosed to the circular issued to them on August 31, 2005.</li> <li>Banks were advised that for the purpose of Section 20 of the Banking Regulation Act, 1949, the term "Loans and advances" shall not include line of credit / overdraft facilities extended by settlement bankers to Clearing Corporation of India Ltd. (CCIL) to facilitate smooth settlement.</li> </ul>
September	1	<ul style="list-style-type: none"> <li>Banks participating in the Pilot Cheque Truncation Project at New Delhi advised to address issues requiring urgent action including finalisation the "point of truncation" for their outward presentations and the point of processing for inward payments of the instrument, amendment of their existing internal banking and clearing manuals, use of new processing tools, deciding upon the systems for storage of inward and outward images, etc.</li> <li>Guidelines on one time settlement scheme for SME accounts issued for recovery of NPAs below Rs. 10 crore.</li> <li>Banks were advised that with respect to transactions matched on the NDS-OM module, since CCIL is the central counterparty to all deals, exposure of any counterparty for a trade is only to CCIL and not to the entity with whom a deal matches. However, all government securities transactions, other than those matched on NDS-OM will continue to be physically confirmed by the back offices of the counterparties, as hitherto.</li> </ul>



### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date	Measures	
<b>2005</b>		
September	5	<ul style="list-style-type: none"> <li>Banks, which are nominated to import gold, were allowed to extend Gold (Metal) Loans to domestic jewellery manufacturers, who are not exporters of jewellery, subject to certain conditions.</li> </ul>
	8	<ul style="list-style-type: none"> <li>The policy for authorisation of the branches of banks in India liberalised and rationalised with a framework for a branch authorisation policy which would be consistent with the medium-term corporate strategy of banks and public interest. While considering applications for opening branches weightage would be given to the nature and scope of banking facilities provided by banks to common persons, particularly in underbanked areas, actual credit flow to the priority sector, pricing of products and overall efforts for promoting financial inclusion, including introduction of appropriate new products and the enhanced use of technology for delivery of banking services.</li> <li>Banks advised to implement a debt restructuring mechanism for units in the SME sector. Detailed guidelines were laid down relating to eligibility criteria for SMEs and accounts, viability criteria, prudential norms for restructured accounts, treatment of additional finance, asset classification, repeated restructuring.</li> </ul>
	9	<ul style="list-style-type: none"> <li>IDBI Bank Limited excluded from the Second Schedule to the Reserve Bank of India Act, 1934 with effect from April 2, 2005.</li> </ul>
	24	<ul style="list-style-type: none"> <li>Bank of Punjab merged with Centurion Bank with effect from October 1, 2005.</li> </ul>
October	1	<ul style="list-style-type: none"> <li>Conversion/rescheduling of loans in the case of natural calamities, when there is delay in declaration of <i>Annewari</i> by the State Government, may be proceeded following such declaration from the District Consultative Committee (DCC) which has representatives from banks as well as the State Government and is headed by the District Collector.</li> </ul>
	9	<ul style="list-style-type: none"> <li>The limit of consumption loan to be provided to the affected persons in the state of Jammu and Kashmir and other parts of north India in the wake of the earthquake increased up to Rs.5,000 without any collateral. This limit may be enhanced to Rs.10,000 at the discretion of the branch manager, depending on the repaying capacity of the borrower. Banks may also consider provision of financial assistance for the purpose of repairs/reconstruction of dwelling units, etc. damaged on account of earthquake.</li> </ul>
	10	<ul style="list-style-type: none"> <li>Banks which have maintained capital of at least nine per cent of the risk weighted assets for both credit risks and market risks for both HFT and AFS categories as on March 31, 2006 would be permitted to treat the entire balance in the IFR as Tier-I capital. For this purpose, banks may transfer the entire balance in the IFR 'below the line' in the Profit and Loss Appropriation Account to Statutory Reserve, General Reserve or balance of Profit and Loss Account.</li> </ul>
	15	<ul style="list-style-type: none"> <li>Revised guidance note on management of operational risk issued to banks. The design of risk management framework should be oriented towards banks' own requirements dictated by the size and complexity of business, risk philosophy, market perception and the expected level of capital. The risk management systems in the bank should, however, be adaptable to changes in business, size, the market dynamics and introduction of innovative products by banks in future.</li> </ul>
	17	<ul style="list-style-type: none"> <li>Banks advised to provide details to the customers in their Pass Book/Account Statement regarding the credits effected through ECS. Similar approach may be adopted for capturing the sender/remittance details for other electronic payment products such as EFT, SEFT, RTGS, etc., as well.</li> </ul>
	18	<ul style="list-style-type: none"> <li>Banks advised to take appropriate action to ensure successful implementation of Swarnjayanti Gram Swarozgar Yojana (SGSY) as per the recommendations of the Central Level Coordination Committee (CLCC). The recommendations include; (i) delegation of powers to branch managers to sanction SGSY applications; (ii) ensuring disposal of all the pending applications at the end of the year in the first quarter of the succeeding year; (iii) utilising micro-finance institutions for bridging the credit gap; (iv) achieving the desired credit to subsidy ratio of 1:3; (v) furnishing of status report to Ministry of Rural Development on the under-performance of their branches; and (vi) maintaining separate record for recovery of data in respect of SGSY distinct from IRDP.</li> </ul>
25	<ul style="list-style-type: none"> <li>Reverse repo rate and the repo rate under the liquidity adjustment facility (LAF) of the Reserve Bank increased by 25 basis points each with effect from October 26, 2005 to 5.25 per cent and 6.25, respectively.</li> </ul>	

**Annex: Chronology of Major Policy Developments (Continued)**

Announcement Date		Measures
<b>2005</b>		
November	2	<ul style="list-style-type: none"> <li>Banks advised that while considering granting advances against jewellery may keep in view the advantages of hallmarked jewellery and decide on the margin and rates of interest thereon.</li> </ul>
	4	<ul style="list-style-type: none"> <li>The general provisioning requirement for 'standard advances', with the exception of banks' direct advances to agricultural and SME sectors, increased from the present level of 0.5 per cent to 0.40 per cent.</li> </ul>
<b>B) Co-operative Banks</b>		
<b>2004</b>		
April	15	<ul style="list-style-type: none"> <li>Comprehensive guidelines issued for investment in non-SLR securities by Urban Co-operative Banks.</li> </ul>
	12	<ul style="list-style-type: none"> <li>All State Co-operative Banks and Central Co-operative Banks advised that the interest rates on NRE Deposits for one to three years maturity, contracted effective close of business in India on April 17, 2004, shall not exceed the LIBOR/SWAP rates for US dollar of corresponding maturity. Further, the interest rate on NRE savings deposits has also been linked to LIBOR/SWAP rates with effect from close of business in India on April 17, 2004. The interest rates on NRE savings deposits should not exceed the LIBOR/SWAP rate for six months maturity on US dollar deposits and may be fixed quarterly on the basis of the LIBOR/SWAP rate of US dollar on the last working day of the preceding quarter.</li> </ul>
May	24	<ul style="list-style-type: none"> <li>The UCBs advised to exercise due caution with regard to valuation while sanctioning loans and advances against mortgage of house property.</li> </ul>
	26	<ul style="list-style-type: none"> <li>The off-site surveillance system for UCBs already in place for the scheduled UCBs extended to all non-scheduled UCBs having deposit size of Rs.100 crore and above.</li> </ul>
	29	<ul style="list-style-type: none"> <li>UCBs advised to strictly maintain the confidentiality of information provided by the customer for 'Know Your Customer' (KYC) compliance.</li> </ul>
July	12	<ul style="list-style-type: none"> <li>All StCBs and CCBs advised that with effect from September 30, 2004, a loan granted for short duration crops will 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 crops will be treated as NPA, if the instalment of principal or interest thereon remains unpaid for one crop season beyond the due date.</li> </ul>
	13	<ul style="list-style-type: none"> <li>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 UCBs.</li> </ul>
August	7	<ul style="list-style-type: none"> <li>UCBs were advised that for the loans and advances (both secured and unsecured) sanctioned by them, the directors and relatives are not eligible to stand as surety/guarantor.</li> </ul>
	19	<ul style="list-style-type: none"> <li>UCBs were advised that Gilt Account holders are not entitled to undertake any sale transaction unless the security sold is actually held in the Gilt Account of the constituent.</li> </ul>
September	2	<ul style="list-style-type: none"> <li>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 do not exceed 25 per cent of their NDTLs. In order to enable this, banks allowed to shift SLR securities to the HTM category. However, no fresh non-SLR securities were permitted to be included in the HTM category once more during the year 2004-05.</li> </ul>
	27	<ul style="list-style-type: none"> <li>For advances identified as 'doubtful for more than three years', additional provisioning by UCBs allowed to be phased over a five-year period commencing from the year ending March 31, 2005 instead of four years.</li> </ul>
October	20	<ul style="list-style-type: none"> <li>UCBs advised to follow similar practices as the illustrative best practices followed by well-managed banks in the urban co-operative 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.</li> </ul>

### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
<b>2004</b>		
November	1	<ul style="list-style-type: none"> <li>The requirement for UCBs invocation of State Government guarantee for deciding the asset classification and provisioning of State Government guaranteed exposure was withdrawn and such loans were subjected to the same norms as applicable to exposures not guaranteed by the State Governments.</li> <li>All StCBs and CCBs advised that the interest rates on NRE Deposits for one to three years maturity, contracted with effect from November 1, 2004, shall not 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.</li> <li>StCBs and CCBs advised to reduce, at their discretion, the minimum tenor of domestic/ NRO term deposits even below Rs.15 lakh from 15 days to 7 days. However, the banks would continue to have the freedom to offer differential rates of interest on term deposits of Rs.15 lakh and above, as hitherto. The revised instructions would come into effect from November 1, 2004.</li> </ul>
	18	<ul style="list-style-type: none"> <li>Scheduled or licensed StCBs and licensed CCBs permitted to undertake insurance business as corporate agent without risk participation subject to their fulfilling certain terms and conditions.</li> </ul>
December	14	<ul style="list-style-type: none"> <li>UCBs permitted to grant housing loan up to Rs.15 lakh as against the existing limit of Rs.10 lakh.</li> </ul>
	15	<ul style="list-style-type: none"> <li>Comprehensive guidelines on 'Know Your Customer' norms and Anti-Money Laundering Measures issued. UCBs advised to frame their KYC policies incorporating the following four key elements: (i) Customer Acceptance Policy; (ii) Customer Identification Procedures; (iii) Monitoring of Transactions; and (iv) Risk Management.</li> </ul>
<b>2005</b>		
January	4	<ul style="list-style-type: none"> <li>Guidelines on receipt of foreign contributions by Associations/ Organisations in India under Foreign Contribution (Regulation) Act, 1976 for <i>Tsunami</i> Relief issued to UCBs.</li> </ul>
	5	<ul style="list-style-type: none"> <li>Risk weight on housing loans increased from 50 per cent to 75 per cent and from 100 per cent to 125 per cent in the case of consumer credit including personal loans and credit cards increased.</li> </ul>
	7	<ul style="list-style-type: none"> <li>Guidelines on receipt of foreign contributions by Associations/Organisations in India under Foreign Contribution (Regulation) Act, 1976 for <i>Tsunami</i> Relief issued to StCBs and CCBs.</li> </ul>
	20	<ul style="list-style-type: none"> <li>Guidelines issued to StCBs and CCBs to delink the requirement of invocation of State Government Guarantee for asset classification and provisioning.</li> </ul>
	24	<ul style="list-style-type: none"> <li>Comprehensive guidelines issued allowing all UCBs to undertake insurance business on a referral basis, subject to certain conditions.</li> </ul>
February	2	<ul style="list-style-type: none"> <li>Guidelines on merger/amalgamation for UCBs issued with the following pre-conditions: (i) net worth of the acquiree bank is positive and the acquirer bank assures to protect entire deposits of all the depositors of the acquired bank; (ii) when the net worth of acquiree bank is negative, the acquirer bank on its own assures to protect deposits of all the depositors of the acquired bank; and (iii) when the net worth of the acquiree bank is negative and the acquirer bank assures to protect the deposits of all the depositors with financial support from the State Government extended upfront as part of the process of merger.</li> </ul>
	17	<ul style="list-style-type: none"> <li>The minimum net worth for undertaking insurance business by scheduled or licensed StCBs and licensed CCBs reduced to Rs.50 crore from Rs.100 crore.</li> </ul>
	18	<ul style="list-style-type: none"> <li>Comprehensive guidelines on 'Know Your Customer' norms and 'Anti-Money Laundering' measures issued to StCBs and CCBs and advised to frame their KYC policies incorporating the following four key elements: (i) Customer Acceptance Policy; (ii) Customer identification procedures; (iii) Monitoring of transactions; and (iv) Risk Management.</li> </ul>
	26	<ul style="list-style-type: none"> <li>Guidelines issued to UCBs regarding reporting system on their investment portfolio.</li> </ul>

**Annex: Chronology of Major Policy Developments (Continued)**

Announcement Date		Measures
<b>2005</b>		
March	1	<ul style="list-style-type: none"> <li>Guidelines issued to StCBs and CCBs in respect of additional provisioning requirement for NPAs.</li> <li>Guidelines issued to UCBs regarding enhancement of transparency of their operations by having comprehensive requirements for disclosure.</li> </ul>
	28	<ul style="list-style-type: none"> <li>Detailed guidelines issued to UCBs regarding classification and valuation of investment portfolio for provisioning requirements.</li> </ul>
	30	<ul style="list-style-type: none"> <li>Prudential norms in respect of income recognition, assets classification, provisioning and other related matters for the UCBs revised.</li> </ul>
April	11	<ul style="list-style-type: none"> <li>Ceilings on donations/contributions for public/charitable purposes out of profits of UCBs announced.</li> </ul>
	15	<ul style="list-style-type: none"> <li>UCBs to reduce the prudential exposure limits on advances to 15 per cent and 40 per cent of the 'capital funds' in the case of a single borrower and a group of borrowers, respectively. The definitions of capital funds and exposure were also modified for this purpose. UCBs advised to bring down the outstanding or the sanctioned exposure limit exceeding the revised limit within a maximum period of 2 years, i.e., by March 31, 2007.</li> </ul>
	28	<ul style="list-style-type: none"> <li>UCBs advised to explore the option of merger/ amalgamation, wherever necessary for revitalising and rehabilitating the weak scheduled UCBs.</li> </ul>
May	4	<ul style="list-style-type: none"> <li>UCBs advised to forward a quarterly statement on 'consolidated position of frauds outstanding' with a footnote detailing the position of frauds outstanding in the Housing Loan segment, beginning from the quarter ended March 2005.</li> </ul>
	6	<ul style="list-style-type: none"> <li>StCBs and district CCBs allowed to undertake insurance business on a referral basis, without any risk participation through their network of branches, subject to certain conditions.</li> </ul>
	11	<ul style="list-style-type: none"> <li>The eligibility to participate in repo market extended to non-scheduled urban co-operative banks and listed companies, having a gilt account with a scheduled commercial bank subject certain conditions.</li> </ul>
July	4	<ul style="list-style-type: none"> <li>UCBs having a single branch/HO with deposits up to Rs.100 crore and those having multiple branches within a single district with deposits up to Rs.100 crore permitted to classify loan NPAs based on 180 days delinquency norm instead of the extant 90 days norm till March 31, 2007.</li> </ul>
	12	<ul style="list-style-type: none"> <li>In the light of the recommendations of the Committee on Procedure and Performance Audit on Public Services (CPPAPS) and to facilitate expeditious and hassle-free settlement of claims on the death of a depositors, settlement of claims in respect of the deceased depositors simplified and advised to StCBs and CCBs.</li> </ul>
	13	<ul style="list-style-type: none"> <li>The norms relating to classification and valuation of investment portfolio of StCBs and CCBs were modified allowing them to amortise their additional provisioning requirement.</li> </ul>
August	3	<ul style="list-style-type: none"> <li>In view of the natural calamity and the need to provide immediate succour, UCBs advised to observe minimum formalities for enabling such persons to open a bank account quickly. Similar guidelines issued to StCBs and CCBs on August 16, 2005.</li> </ul>
	4	<ul style="list-style-type: none"> <li>StCBs and CCBs advised to invest their genuine surplus funds in non-SLR securities without taking prior approval from the Reserve Bank on a case-to case basis, subject to certain conditions.</li> </ul>
	9	<ul style="list-style-type: none"> <li>The risk weight for UCBs raised for the following categories: (i) 125 per cent from 100 per cent in the case of loans extended by UCBs against primary/collateral security of shares/debentures; (ii) 127.5 per cent from 102.5 per cent in respect of investment in equities of AIFIs/units of UTI; and (iii) 125 per cent from 100 per cent in the case of commercial real estate.</li> </ul>

### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
<b>2005</b>		
August	23	<ul style="list-style-type: none"> <li>The KYC procedure for opening accounts simplified further for UCBs for those persons who intend to keep balances not exceeding rupees fifty thousand (Rs.50,000) in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed one lakh (Rs.1,00,000) in a year. Banks may open accounts with introduction from another account holder (holding account for at least six months) who has been subjected to full KYC procedure or any other evidence as to identify and address of the customer to the satisfaction of the bank. Similar guidelines were issued to StCBs and CCBs.</li> </ul>
September	17	<ul style="list-style-type: none"> <li>Licensed and/or scheduled StCBs permitted to undertake, without risk participation, co-branded domestic credit card business with tie-up arrangement with one of the scheduled commercial banks, already having arrangement for issue of credit cards, subject to their fulfilling certain conditions. These conditions include, minimum positive net worth of Rs.50 crore, earning net profit for the last three years and not having accumulated losses, gross NPAs not exceeding 10 per cent, compliance of prudential and other norms of the Reserve Bank/NABARD and prior permission of the Reserve Bank.</li> </ul>
October	10	<ul style="list-style-type: none"> <li>The StCBs/CCBs to furnish the information as 'Notes on Accounts' to their Balance Sheets from the year ending March 31, 2006.</li> </ul>
	20	<ul style="list-style-type: none"> <li>UCBs carrying accumulated losses in their balance sheet would not be eligible to make donations.</li> </ul>
<b>C) Financial Institutions (FIs)</b>		
<b>2004</b>		
June	15	<ul style="list-style-type: none"> <li>The risk weight in respect of exposure by FIs to public financial institutions (PFIs) raised to 100 per cent for credit risk and 2.5 per cent for market risk from April 1, 2005.</li> </ul>
	21	<ul style="list-style-type: none"> <li>FIs advised that their boards should oversee furnishing of requisite information of all borrowers to CIBIL and report compliance of the same to the Reserve Bank.</li> </ul>
	26	<ul style="list-style-type: none"> <li>FIs advised 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 up to a further 5 per cent of capital funds, subject to the borrower consenting to the FIs making appropriate disclosures in their Annual Reports.</li> </ul>
August	3	<ul style="list-style-type: none"> <li>Graded higher provisioning requirement according to the age of NPAs in 'doubtful for more than three years' category introduced.</li> </ul>
	30	<ul style="list-style-type: none"> <li>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.</li> </ul>
November	1	<ul style="list-style-type: none"> <li>With effect from March 31, 2005, an asset in the books of FIs is required to be classified as doubtful asset, if it remains 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 ended March 31, 2005, with a minimum of 20 per cent each year.</li> </ul>
	6	<ul style="list-style-type: none"> <li>FIs advised to take immediate steps to ensure submission of periodical data to CIBIL and submit progress reports to the Reserve Bank.</li> </ul>
<b>2005</b>		
February	11	<ul style="list-style-type: none"> <li>FIs to obtain from their Statutory Central Auditors, the certificate relating, <i>inter alia</i>, to their treasury operations; reconciliation of their investments; compliance in key areas; income recognition; asset classification and provisioning and authentication of their calculation on CRAR.</li> </ul>
April	26	<ul style="list-style-type: none"> <li>A minimum framework for disclosures by FIs on their risk exposures in derivatives laid out to provide a clear picture of their exposure to risks in derivatives, risk management systems, objectives and policies.</li> </ul>

**Annex: Chronology of Major Policy Developments (Continued)**

Announcement Date		Measures
<b>2005</b>		
April	27	<ul style="list-style-type: none"> <li>FIs not accepting public deposits but having asset size of Rs.500 crore and above would be subjected to limited off-site supervision by the Reserve Bank. Therefore, with effect from the period ended March 31, 2005, the existing system of off-site supervision would stand replaced by a simplified information system known as the "Quarterly Return on Important Financial Parameters in respect of Select Financial Institutions".</li> </ul>
<b>D) Non-Banking Financial Companies (NBFCs)</b>		
<b>2004</b>		
April	24	<ul style="list-style-type: none"> <li>NBFCs prohibited from accepting fresh NRI deposits with effect from April 24, 2004, but could renew the deposits already accepted.</li> </ul>
May	18	<ul style="list-style-type: none"> <li>On the basis of the recommendations of the Vyas Committee's Interim Report, it was decided that micro-finance institutions would not be permitted to accept public deposits unless they comply with the extant regulatory framework of the Reserve Bank.</li> </ul>
June	15	<ul style="list-style-type: none"> <li>The scope of definition of infrastructure lending by NBFCs expanded to include the following projects/sectors: (i) construction relating to projects involving agro-processing and supply of inputs to agriculture; (ii) construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers, including testing facilities for quality; and (iii) construction of educational institutions and hospitals.</li> </ul>
	22	<ul style="list-style-type: none"> <li>The investment pattern prescribed for RNBCs rationalised for imparting liquidity and safety to their investments for enhancing depositors' protection. These measures included: (i) phasing out of discretionary investments by RNBCs by April 1, 2006; (ii) investment in specified financial institutions restricted to CDs only; (iii) investment only in CDs of SCBs and specified financial institutions rated AA+ or its equivalent; (iv) additional investment of 15 per cent of the aggregate deposit liability in securities issued by the Central and State Governments in the course of their market borrowing programme; (v) investment in debt securities confined to those having minimum AA+ or equivalent grade rating and listed on one of the stock exchanges; (vi) investments in units of only debt oriented mutual funds not exceeding 10 per cent with a sub-limit of two per cent in any one fund; and (vii) exposure to a single SCB limited to one per cent of the aggregate deposit liability of the SCB and one per cent of the aggregate deposit liability of the RNBC in case of financial institution.</li> </ul>
July	7	<ul style="list-style-type: none"> <li>NBFCs advised that the issue of debit cards, stored value cards, smart cards, value added cards, etc. have a characteristic akin to demand deposits as they are payable at the convenience of the card holders. The issue of such cards is, therefore, violative of the extant NBFC Directions.</li> </ul>
	24	<ul style="list-style-type: none"> <li>NBFCs having certificate of registration (CoR) in the non-public deposit taking category were required to meet the minimum NOFs requirement of Rs.2 crore for being eligible to apply to the Reserve Bank for accepting public deposits.</li> </ul>
August	10	<ul style="list-style-type: none"> <li>NBFCs advised that whenever they intend to extend the date of their Balance Sheet as per provisions of the Companies Act, they should take prior approval of the Reserve Bank before approaching the Registrar of Companies (RoC) for this purpose. Even in the cases where permission is granted for extension of time, the company would be required to furnish to the Reserve Bank a <i>Proforma</i> Balance Sheet (unaudited) as on March 31 of the year and the statutory returns due on the above date.</li> </ul>
October	5	<ul style="list-style-type: none"> <li>The minimum lock-in-period of three months from the date of acceptance of deposits for NBFCs and Miscellaneous Non-Banking Companies (MNBCs) and twelve months for RNBCs within which they cannot repay a public deposit (in case of NBFC) or deposit (in case of RNBC and MNBC) or grant any loan against such deposits was retained. 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 were issued for the two groups with respect to the prepayment norms and the interest rates to be paid on the deposits.</li> </ul>

### Annex: Chronology of Major Policy Developments (Continued)

Announcement Date		Measures
<b>2004</b>		
November	13	<ul style="list-style-type: none"> <li>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.</li> </ul>
December	30	<ul style="list-style-type: none"> <li>In order to ensure that the depositors are served appropriately and systemic risks are avoided, Reserve Bank issued comprehensive guidelines to RNBCs with a view to focus on improvements in their functioning including transparency of operations, corporate governance including professionalisation of the Boards and ensuring 'fit and proper' criteria, avoiding untenable rates of commission to agents, adherence to KYC rules and customer service. With a view to smoothen the process of transition of RNBCs to compliance with the revised Directions issued on June 22, 2004, following modifications were made: (i) reckoning as eligible, the investments in CDs of specified FIs which had a minimum rating of AA+ at the time of investment, if subsequently downgraded, as long as they had the minimum investment grade rating; (ii) treating balances held in current accounts with SCBs as eligible investments; (iii) treating as eligible, the investments in bonds and debentures of companies which had minimum rating of AA+ or equivalent grade rating and listed on stock exchange till the rating continued to be not below the minimum investment grade.</li> </ul>
<b>2005</b>		
February	7	<ul style="list-style-type: none"> <li>NBFCs accepting/holding public deposits were advised to ensure that at all times there should be full cover available for public deposits accepted by them.</li> </ul>
	21	<ul style="list-style-type: none"> <li>Comprehensive guidelines on 'Know Your Customer' norms and Anti-Money Laundering Measures issued. NBFCs advised to frame their KYC policies incorporating the following four key elements: (i) Customer Acceptance Policy; (ii) Customer Identification Procedures; (iii) Monitoring of Transactions; and (iv) Risk Management.</li> </ul>
April	28	<ul style="list-style-type: none"> <li>Guidelines on merger and amalgamation between private sector banks and NBFCs issued. The guidelines cover the process of merger proposal, determination of swap ratios, disclosures, norms for buying/selling of shares by promoters before and during the process of merger and the Board's involvement in the merger process. The principles underlying these guidelines would be applicable as appropriate to public sector banks, subject to relevant legislation.</li> </ul>
September	6	<ul style="list-style-type: none"> <li>NBFCs not accepting/holding public deposits and having assets size of 'Rs. 100 crore and above to submit a monthly return that was applicable so far to NBFCs not accepting/holding public deposits and having assets size of Rs.500 crore and above.</li> </ul>
October	11	<ul style="list-style-type: none"> <li>NBFCs to ensure full compliance with KYC guidelines with regard to deposits collected by persons authorised by the NBFCs, including brokers/agents etc. inasmuch as such persons are collecting the deposits on behalf of NBFCs.</li> </ul>
	26	<ul style="list-style-type: none"> <li>Guidelines issued to NBFCs (including RNBCs) on classification of frauds, approach towards monitoring of frauds and reporting requirements. The individual cases of frauds involving amount less than Rs.25 lakh to be reported to the respective Regional Offices of Department of Non-Banking Supervision in whose jurisdiction registered office of the company is located, whereas individual cases of frauds involving amount of Rs.25 lakh and above to be reported to Frauds Monitoring Cell, Department of Banking Supervision, Reserve Bank of India, Central Office, Mumbai.</li> </ul>
<b>E) Primary Dealers (PDs)</b>		
<b>2004</b>		
June	3	<ul style="list-style-type: none"> <li>Guidelines issued on dividend distribution by primary dealers (PDs) based on payout ratio linked to their CRAR.</li> </ul>
August	24	<ul style="list-style-type: none"> <li>PDs to hold all their equity investments only in dematerialised form by the end of December 2004 (including conversion of their equity holdings in scrip form into dematerialised form) and make all fresh investments only in dematerialised form from December 31, 2004.</li> </ul>
October	15	<ul style="list-style-type: none"> <li>Guidelines on PDs issuing subordinated debt instruments for raising Tier-II and Tier-III capital issued.</li> </ul>

**Annex: Chronology of Major Policy Developments (Concluded)**

Announcement Date		Measures
<b>2004</b>		
November	13	<ul style="list-style-type: none"> <li>All PDs advised 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.</li> </ul>
<b>2005</b>		
March	29	<ul style="list-style-type: none"> <li>Guidelines issued to all NDS members regarding conduct of dated Government securities auction under Primary Market Operations module of PDO-NDS.</li> </ul>
May	11	<ul style="list-style-type: none"> <li>PDs to adopt standardised settlement on a T+1 basis of all outright secondary market transactions in Government securities.</li> </ul>
		<ul style="list-style-type: none"> <li>Sale of Government securities allotted to successful bidders in primary issues on the day of allotment permitted, with and between CSGL constituent account holders.</li> </ul>
July	20	<ul style="list-style-type: none"> <li>Guidelines on transaction in Government securities further relaxed by permitting a buyer from an allottee in primary auction to re-sell the security.</li> </ul>