

CONTENTS

Banking Policy

Y2K Disclosure

Nomination Facility in Deposit Accounts

Settlement Advisory Committee

Priority Sector Lending

ALM System

State Level Export Promotion Committee

Exchange Control

Grant for interest-bearing Loans

Export Declarations Forms

EEFC Balances

EDI System for Clearance of Imported Cargo

Overseas Indian Investment

Revised Forms/Statements

Rating Model for Customer Service in Banks

The Reserve Bank of India has forwarded to the Indian Banks' Association (IBA) a 'Rating Model for Customer Service in Banks' and has asked it to customise and adopt the model. The model has been prepared by an in-house working group and has been approved by the Board for Financial Supervision (BFS).

The Reserve Bank has stated that the rating of banks for customer service may be done on the basis of a survey to be conducted by the IBA. For the purpose of the survey, the banks may be split into two groups and each group may be subjected to survey once in two years. Thus every bank would be covered once in four years. Further, 10 out of every 100 bank branches should be covered in the survey. The Reserve Bank has asked the IBA to evolve norms for selection of branches for the survey.

In the RBI model, various service aspects have been clubbed into five broad groups, namely speed and efficiency (counter service and back office), space, amenities and employees' behaviour, credit aspects, foreign exchange business aspects and management aspects. Further parameters have been identified under each of these five broad groups. The parameters contained in the first four groups would be utilised for rating the quality of customer service at the branch level. For rating of the head office, 20 items of management aspects will be taken into account. Each aspect would have to be rated on a scale of 5 to 1 in descending order of service as excellent, good, satisfactory, not satisfactory and poor.

Service Group Rating

The survey should be conducted through an interview of the branch manager on each service item in the first four groups. The performance of the branch should be verified vis-à-vis the information furnished by the branch manager. This may be done by scrutinising a minimum number of cases (rural branches-20, semi-urban branches-30, urban/metropolitan branches-50) from the available branch records and also by interviewing customers selected at random. Interaction with other staff members to know their perception and constraints at branch level should also be included in the survey. Final marks under each service group should be awarded after verification of cases. Marks so awarded should differentiate between strong and weak areas of service in a particular branch.

Branch Rating

Within the branch different service groups assume different importance. The service groups have, therefore, been assigned the following weightages:

Service Groups	(in per cent)	
	Branch	Head Office
Speed and efficiency	40	75 for sum of branch ratings
Space, amenities and employees' behaviour	30	
Credit aspect	30	
Forex business aspects*		
Management aspects*		
Total	100	100

* The service item which is not relevant for the branch need not be rated. Similarly, any special service item notified for a branch should be rated on a scale of 1 to 5 and included as additional item under suitable service group.

The sum of the weighted average marks for each group would indicate the rating of the branch with regard to customer service.

Bank Rating

After rating the branch, the management items at the head office of the bank should be rated. This also should be done by verifying the records on a scale of 1 to 5. The composite rating of the bank should be obtained by calculating the sum total of branch ratings and the management rating with the weighted distribution of 75 per cent and 25 per cent, respectively.

Rating Grades

The rating grade for the bank should be indicated as per the following scale:

<i>Average obtained</i>	<i>Grade</i>	<i>Rating</i>
above 80%	A++	Excellent
71%-80%	A+	Very Good

61%-70%	A	Good
51%-60%	B	Average
41%-50%	C	Poor
40% and below	D	Very Poor

Follow-up

The branch rating reports should be furnished to the branch and to its controlling office. The controlling office after obtaining necessary reports from the branches should furnish a report to the head office of the bank regarding the steps taken, improvement brought about, etc., at half yearly intervals.

Banking Policy

Y2K Disclosure

The Reserve Bank of India has, in public interest, laid down minimum disclosure framework for all the commercial banks for year 2000 (Y2K) compliance. In a circular issued to all commercial banks, the Reserve Bank has stated that the interconnectedness of financial organisations and their various external dependencies make it essential for every bank to understand the likely impact of Y2K readiness of their customers, correspondents, counterparts and other third parties. In a move to apprise the banks of the Y2K issues, the Reserve Bank has stated that despite their serious efforts to combat the risks associated with Year 2000, lack of adequate information sharing and disclosure might provoke disruptions in the market adversely affecting even the most prepared organisations. Hence, the Reserve Bank has advised all commercial banks to disclose information on the following aspects:

- (i) The extent of exposure to the Year 2000 problem;
- (ii) The measures already taken/to be taken to address the problem;
- (iii) Progress in compliance efforts relative to the plan drawn by the bank;
- (iv) Financial costs incurred in implementing the bank's Year 2000 programme;
- (v) Internal and external testing programmes and contingency planning efforts.

Banks may place the information before their board of directors in the meetings to be held in June, September and December 1999. The compliance status should also be published in leading national dailies in the same months. The Reserve Bank has also encouraged banks that are yet to publish their annual reports for the year ended March 1999 to make voluntary disclosures on these lines.

Nomination Facility in Deposit Accounts

All commercial banks have been advised to carry the legend "Nomination Registered" on the face of the passbook. The practice of recording the legend regarding availment of nomination facility is introduced to expedite settlement of claims by banks in the accounts of deceased depositors. The Reserve Bank has stated that the practice of carrying the legend may be followed for term deposit receipts also.

Settlement Advisory Committee

The Reserve Bank of India has communicated to all public sector banks the guidelines for constitution of Settlement Advisory Committees (SACs) for compromise settlement of non-performing assets of small sector. The Reserve Bank has advised all public sector banks that their board may lay down norms for compromise settlements and frame suitable guidelines for SAC on the basis of the guidelines set out by the Reserve Bank.

It may be recalled that the Finance Minister in his Union Budget for 1999-2000 observed that public sector banks would be encouraged to set up settlement advisory committees so that chronic cases, specially those relating to the small sector, are settled in a timely and speedy manner.

Coverage

The guidelines will apply to all non-performing assets (NPAs) which are chronic and at least three years old as on March 31, 1999 and will be operative only up to September 30, 2000. The guidelines will apply to borrowal accounts that have become non-performing in the small-scale industries sector and small businesses, including trading and personal segment and agricultural sector. Cases pending before courts/Debt Recovery Tribunals (DRTs) may also be covered after getting their consent. Cases of fraud and malfeasance will, however, not be covered.

Constitution

The board of any public sector bank can constitute SAC comprising the bank officials at the head office and the zonal offices. In case of banks which do not have zonal office, SAC may be set up at the regional office level. However, the official sanctioning the particular loan which has become NPA should not participate in the SAC meeting where that loan is under consideration for settlement.

Functioning

The boards of banks may draw broad guidelines and procedures for the functioning of SAC. The SACs should be authorised to sanction compromise settlement within the powers delegated to them. For covering majority of the cases of compromise settlement, it is proposed to raise the powers for waiver/write-off of the Chairman and Managing Director to Rs.50 lakh. Banks may fix suitable limits to be exercised by zonal or regional managers. The powers, however, may be exercised only on the recommendation of the concerned SAC.

Guidelines for Settlement

Once the settlement amount is calculated as per the RBI guidelines, the amount should normally be paid at one time. In deserving cases, however, banks may extend the time of repayment not exceeding one year from the date of settlement. In such cases, the borrower should pay at least 25 per cent of the amount of settlement upfront on the date of settlement.

The bank's board should review the decisions taken by the SAC and also ensure that the process of settlement is completed within six months.

Priority Sector Lending

The Reserve Bank of India has been, over the past few years, modifying the definition of priority sector to enlarge its scope. The following decisions have been taken since last October for widening the scope of priority sector:

Financing of Trucks

Bank credit to non-banking financial companies (NBFCs) for financing of trucks for the purpose of on-lending to small road and water transport operators (SRWTOs) will be treated as priority sector lending. The ultimate borrowers (SRWTOs), however, should satisfy the eligibility requirements for being classified under priority sector.

Financing of Portfolio Purchases

Portfolio purchases (purchase of hire-purchase receivables) from NBFCs made after July 31, 1998 would be included under priority sector lending provided the portfolio purchased relates to SRWTOs satisfying priority sector norms.

Loans to Forestry, Food and Agro-processing Sector

The Reserve Bank of India has clarified that loans to food and agro-processing sector satisfying the small scale industry (SSI) definition should be included under SSI advances. Loans to industries in this sector which do not satisfy the SSI norms may however, be reported as a separate segment under the priority sector. The Reserve Bank will allot the necessary code number for the purpose.

Banks have already been advised on January 28, 1999, to classify credit for food and agro-processing industries under priority sector.

Bank lending to NBFCs or other financial intermediaries to on-lending to the tiny sector is also to be classified under priority sector.

Bank finance to the Housing and Urban Development Corporation (HUDCO) either as a line of credit or by way of investment in special bonds issued by HUDCO for on-lending to artisans, handloom weavers, etc., under tiny sector, should be classified as indirect lending to SSI (tiny) sector. Further, while providing credit to tiny sector through NBFCs/financial intermediaries/HUDCO, banks should devise suitable mechanism to ensure that the bank credit is appropriately classified under priority sector satisfying the relevant norms at the ultimate borrower level.

Banks have also been asked to intensify their efforts to promote development of forestry by financing bankable schemes/activities under this sector.

Software Industry

Loans to the software industry having credit limit of up to Rs. one crore from the banking system are also eligible for inclusion under the priority sector.

ALM System

All scheduled commercial banks (excluding Regional Rural Banks) have been asked to apprise the Reserve Bank of India of the steps taken for ensuring 100 per cent coverage of assets and liabilities by April 1, 2000 under the asset liability management (ALM) system. They have been further advised to intimate to the Reserve Bank about the steps taken for switching over to a more sophisticated asset liability management techniques, such as, Duration Gap Analysis and Simulation and Value at Risk (VaR) for interest rate risk management.

State Level Export Promotion Committee

The Government of India, Ministry of Finance has decided to reconstitute the State Level Export Promotion Committees (SLEPCs) in Union Territories with the Administrator as the Chairman. The decision was taken to also actively involve Union Territories in export promotion. Earlier, the SLEPCs of the States were reconstituted with the Chief Secretary of the State as its chairman. The administrator of the concerned Union Territory will nominate a senior official for the post of member-secretary. Other members of the committee would be the Regional Director of the Reserve Bank, senior-most officers of public sector banks, nominees of Federation of Indian Export Organisations, local chambers of commerce and industry, exporters' bodies, senior-most officers from DGFT (Director General of Foreign Trade), Customs, ECGC (Export Credit and Guarantee Corporation), Exim Bank and Foreign Exchange Dealers' Association of India in the Union Territory.

Exchange Control

Grant for Interest-bearing Loans

The Reserve Bank has granted general permission to resident individuals/proprietorship concerns/partnership firms to avail of interest bearing loans from non-resident Indians/persons of Indian origin (NRIs/ PIOs) on non-repatriation basis subject to certain conditions. Earlier, only resident individuals were granted general permission to avail interest free loans on non-repatriation basis from their non-resident relatives abroad for personal purposes and business activities subject to certain conditions.

Export Declaration Forms

The authorised dealers of foreign exchange no longer need to submit the original sale contract between the exporter and the overseas buyer or any of the other alternate documents at the time of handling the export documents if not specified as a term of the letter of credit. They need not also submit the relative duplicate copies of GR/PP/SDF form for export declaration.

EEFC Balances

The Reserve Bank of India has clarified that authorised dealers in foreign exchange can now allow the funds held in exchange earners' foreign currency (EEFC) accounts, to be utilised for making all bonafide payments of the account holders in foreign exchange. Bonafide payments of the account holders would be those which are connected with the trade and business related transactions and are of current account nature as also of certain permitted capital account transactions. There are no restrictions on making such payments. In other words, bonafide payments out of EEFC accounts can be made even beyond the monetary or percentage ceilings if any, prescribed in Exchange Control Manual; the only exception being the rate of agency commission on export which should not exceed 12.5 per cent of invoice value.

Authorised dealers may also re-credit unspent foreign exchange surrendered out of the exchange obtained for travel abroad to EEFC account provided the foreign exchange for travel abroad was released by debit to the same EEFC account.

Authorised dealers have now also been permitted to grant credit facilities, fund based and non-fund based, according to their commercial judgement against the security of balances held in EEFC accounts.

EDI System for Clearance of Imported Cargo

Under the Electronic Data Interchange (EDI) system for clearance of imported cargo, the generation of computerised bill of entry will be issued only in three copies. Authorised dealers are advised to accept the third copy of the computer generated bill of entry, duly stamped and signed by the Customs authorities, as evidence of import.

Overseas Indian Investment

The Government of India has decided to raise the ceiling for overseas Indian investments in SAARC countries (including Myanmar) under the Fast Track Route (FTR) from USD 15 million to USD 30 million. Further, the Government of India has also decided to enhance the ceiling for rupee investment in Nepal and Bhutan from Rs. 60 crore to Rs. 120 crore.

Revised Forms/Statements

MAP/SIR

In order to enable authorised dealers to correctly arrive at the Residual Gap, it has been decided to revise form MAP and SIR. Authorised dealers have been asked to submit the statement in the revised forms from the month of June 1999.

The authorised dealers should invariably submit MAP and SIR statements in respect of four major currencies, namely, US Dollar, Pound Sterling, Euro and Japanese Yen. However, statements regarding other foreign currencies may be submitted only if the transactions in the currency concerned exceed 5 per cent of their total foreign exchange turnover.

The monthly statements (in US dollar million) in form MAP should include aggregate gap limit (AGL) approved by the management; maximum AGL during the month; Value at Risk (VaR) limit approved by the management; and maximum VaR figure during the month.

R Returns

The Supplementary Statement of Non-Export Receipts has been modified with the columns containing (i) the name and address of remitter and (ii) the reference number and the date of the Reserve Bank's/the Government's approval deleted from the existing format of the statement.

It has also been decided to amend the Schedules (SCH 3 to SCH 6) containing details of export realisation to include an additional column to indicate the ' Shipping Bill Date'.

ENC Statement

With the introduction of Electronic Data Exchange (EDI), authorised dealers are advised to indicate the Port Code Number, wherever available, as prefix to shipping bill number, in their Export Negotiated Contract (ENC) statement. In cases when the Customs authorities have not printed the prefix on the EDI shipping bill, it may be indicated as ' 000 '.

Form BCX

While applying for approval for overseas investment abroad, under the Fast Track Route, the Applicant Company is required to submit, among other documents, export realisation certificate in Form BCX as a part of enclosure to form ODI. Authorised dealers have been, therefore, advised to issue a certificate in form BCX to exporters on request.

FLM 8

The Reserve Bank has advised all full-fledged moneychangers to submit the statements FLM 8 in its present form and in the revised form from June 1999 onwards in order to get a true picture of foreign currency transactions. The move for the full-fledged moneychangers will help in compilation of Balance of Payments statistics. Any contravention or non-observance of this instruction is subject to penalty prescribed under the Foreign Exchange Regulation Act, 1973(46 of 1973).

FC(RBI)

The Reserve Bank of India has advised that it is no longer necessary to submit form FC(RBI) for prior approval of investments made under the automatic route of the Reserve Bank. It has also revised form FC(RBI).