Appendix: Chronology of Major Policy Developments

Announcement Date		Measures
A) Scheduled Commercial Banks		
2006		
April	4	• Banks were advised that principal and interest due on working capital loans in poultry industry as also installments and interest on term loans therein which have fallen due for payment on/after the onset of bird flu, *i.e.*, February 1, 2006 and remaining unpaid may be converted into term loans. The converted loans may be recovered in installments based on projected future inflows over a period up to three years with an initial moratorium of up to one year. Other measures include a proposal from Union Government for grant of a one time interest subvention of 4 per cent per annum on the outstanding principal amount as on March 31, 2006 (not including any part of the principal amount that has become overdue) to all poultry units availing loans from banks.
	5	• Banks were advised to instruct designated branches to strictly adhere to the direction that only one Bond Ledger Account (BLA) shall be opened in the name of each investor for operations in relief/savings Bonds. The existing multiple BLAs, if any, in the name of the same investor should be reviewed and merged into one BLA.
	12	• Banks (excluding RRBs) were advised to furnish annual return in the revised format within one month in respect of non-SSI (sick/weak) industrial units beginning from March 31, 2006. As a one time measure, the banks are required to furnish data in the revised format for the period ending March 31, 2004 and March 31, 2005 by May 2006. • Banks were advised to charge specific transfer fee in case of transfer of account from one deposit office to another, in terms of Senior Citizens Savings Scheme (Amendment) Rules, 2006, where the deposit is rupees one lakh or above, a transfer fee of rupees five per lakh of deposit for the first transfer and rupees ten per lakh of deposit for the second and subsequent transfers shall be payable.
	13	• Banks were advised that the Government of India have allocated a target of 3,84,340 persons to States/UTs under PMRY for the year 2006-07.
	20	• Banks were advised that the term 'loan or advance' in clause (a) of the Explanation under sub-section 4 of Section 20 of the Banking Regulation Act, 1949 (10 of 1949), shall not include a credit limit granted under credit card facility provided by the bank to its Directors to the extent the credit limit so granted is determined by the bank by applying the same criteria as applied by it in the normal conduct of the credit card business.
May	2	• Credit mobilisation target for the year 2006-07 under SGSY was fixed at Rs.2,814 crore by the Government of India. State Level Bankers' Committees (SLBCs) should finalise the targets of individual banks on the basis of acceptable parameters like resources and number of rural/semi urban branches, so that each bank will be in a position to arrive at its corporate target. Banks were advised to make efforts to achieve the credit targets, minimum subsidy credit ratio as fixed by the Government and maintain per family investment of Rs.25,000.
	8	• The rates of agency commission payable to banks for conduct of government business has been revised. For 'other payments' excluding 'receipts' and 'pension payments' rates applicable from July 1, 2006 would stand at nine paisa per Rs.100 turnover in place of Rs.50 per transaction applicable currently. Banks were advised to take corrective action to rectify deficiencies in Annual Information Returns filed under Section 285 BA of Income Tax Act, 1961 for the Financial Year 2004-05 and submit a "Supplementary Information Report", if need be, to the Income Tax Department. The necessary information for 2005-06 is to be furnished before May 31, 2006.
	16	• Banks (including RRBs) were advised to display and update, on their website, the details of various service charges in the prescribed format. SCBs are also to display the charges relating to certain services as prescribed in their offices/branches. This may also be displayed in the local language.
	17	• RRBs, were advised that with approval of their Board of Directors, they may enter into agreements with mutual funds for marketing their units subject to certain conditions, including i) the bank should act as an agent of the customers, ii) the purchase of MF units should be at the customers' risk and without the bank guaranteeing any assured return, iii) the bank should not acquire such units of mutual fund from the secondary market, iv) the bank should not buy back units of mutual funds from the customers, and v) compliance with extant KYC/AML guidelines.

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

Announcement Date		Measures
2006		
May	23	• It was clarified to banks that the interest subvention related to relief measures to specific categories of poultry industry will be calculated at four percentage points on the term loans and working capital loans outstanding as on March 31, 2006.
	25	• The risk weight on exposure of banks to commercial real estate increased to 150 per cent from 125 per cent. Further, total exposure of banks to venture capital funds will form a part of its capital market exposure and, henceforth, a higher risk weight of 150 per cent will be assigned to these exposures.
	29	• The general provisioning requirement for banks on standard advances in specific sectors, i.e., personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs.20 lakh and commercial real estate loans increased to 1.0 per cent from the present level of 0.40 per cent. • Banks (excluding RRBs) were advised to disclose in the 'Notes on Account' the information providing details of break-up of provisions and contingencies shown under the head 'Expenditure' in Profit and Loss Account as follows: i) provisions for depreciation on investment, ii) provision towards NPA, iii) provision towards standard asset, iv) provision made towards income tax, and v) other provision and contingencies (with details).
June	5	• In pursuance with the announcement in the Union Budget, 2006-07, the Government will provide interest subvention of 2 per cent per annum to public sector banks (PSBs) and RRBs in respect of short-term production credit up to Rs.3 lakh provided to farmers. The amount of subvention will be calculated on the amount of the crop loan disbursed from the date of disbursement/drawal up to the date of payment or up to the date beyond which the outstanding loan becomes overdue i.e., March 31, 2007 for Kharif and June 30, 2007 for Rabi, respectively, whichever is earlier. This subvention will be available to PSBs and RRBs on the condition that they make available short-term credit at ground level at seven per cent per annum. In case of RRBs, this will be applicable only to short term production credit disbursed out of their own funds and will exclude such credit supported by NABARD refinance. Banks were advised to immediately, provide their estimates of short-term production credit to farmers up to Rs.3 lakh for Kharif and Rabi 2006-07, separately.
	8	• Banks (excluding RRBs) were advised not to enter into swap transactions involving conversion of fixed rate rupee liabilities in respect of innovative Tier I/Tier II bonds into floating rate foreign currency liabilities. Further, with regard to swaps already entered into, banks are to follow certain procedure for accounting gains / losses arising out of such swap transactions.
	12	• Bureau of Indian Standards (BIS) has formulated a comprehensive National Building Code (NBC) of India 2005, providing guidelines for regulating the building construction activities across the country. The Code contains all the important aspects relevant to safe and orderly building development such as administrative regulations, development control rules and general building requirements; fire safety requirements; stipulations regarding materials, structural design and construction (including safety); and building and plumbing services. The boards of banks were advised to consider this aspect for incorporation in their loan policies. Similar guidelines were issued to RRBs on June 22, 2006.
	13	• The Empowered Committees (EC) for RRBs, constituted by the Reserve Bank at its Regional Offices, would deliberate and make recommendation on the applications for opening, shifting or merger of branches of RRBs. The Reserve Bank would take into account the EC's recommendation and dispose of such applications expeditiously. Similarly, requests from RRBs for conduct of foreign exchange business, as limited authorised dealers for current account transactions, would be considered by the Reserve Bank after clearance by the EC.
	22	• Revised norms issued to banks (excluding RRBs) on utilisation, creation, accounting and disclosures of floating provisions, *i.e.*, provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirement for provisions for standard assets.
	27	• In order to start a robust state-of-the-art nationwide ECS covering more branches and locations with centralised data submission system, banks were advised to furnish certain information indicating their level of preparedness for the project.

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

Announcement Date		Measures
2006		
July	4	• Banks were advised to initiate steps for incorporating an appropriate mandate management routine for handling ECS (Debit) transactions.
	12	• Banks were permitted to phase out the additional general provisioning on standard advances in specific sectors, *i.e.*, personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs.20 lakh and commercial real estate loans. Additional provisioning requirement over the financial year 2006-07 would stand at: (a) 0.55 per cent for the quarter ended June 2006; (b) 0.70 per cent for the half-year ending September 2006; (c) 0.85 per cent for the quarter ending December 2006; and (d) 1.00 per cent for the year ending March 2007.
	14	• Banks were advised not to associate themselves with internet based electronic purse schemes which are in the nature of acceptance of deposits that can be withdrawn on demand.
	17	• Banks were advised to ensure that all the farmers' loan-accounts in the notified districts, which are overdue as on July 1, 2006, are rescheduled on the lines of the package of "Relief Measures to the Vidarbha Region in Maharashtra" announced by the Prime Minister and the interest thereon (as on July 01, 2006) is fully waived. Fresh finance may be ensured to such farmers. The total amount of credit of Rs.1,275 crore envisaged to be released by banks will be allocated by Bank of Maharashtra (as SLBC Convenor) among the banks functioning in the districts.
	20	• Banks were advised to place service charges and fees on the homepage of their website at a prominent place under the title 'Service Charges and Fees' so as to facilitate easy access by the bank customers. A complaint form, along with the name of the nodal officer for complaint redressal, may be provided in the homepage itself to facilitate complaint submission by the customers. The complaint form should also indicate that the first point for redressal of complaints is the bank itself and that complainants may approach the Banking Ombudsman only if the complaint is not resolved at the bank level within a month.
August	1	• Accounting and related aspects for 'When Issued' transactions in Central Government securities issued.
	3	• A new district, *viz*., Tarn Taran covering three tehsils, viz., Tarn Taran (200 villages), Khadoor Sahib (96 Villages) and Patti (197 Villages) has been carved out of the existing district of Amritsar with effect from June 16, 2006. Lead Bank responsibility of the new district has been assigned to Punjab National Bank.
	9	• Additional guidelines issued on relief measures to be extended by banks in areas affected by natural calamities. • Banks were advised that they need not maintain a separate SGL account for PD business. Banks undertaking PD business departmentally may maintain a single SGL account. They would, however, need to keep separate books of accounts internally for monitoring on an ongoing basis, maintenance of the minimum stipulated balance of Rs.100 crore of Government securities and for recording the transactions undertaken by the PD business.
	10	• Guidelines were issued on penal rate of interest in case of default in maintaining stipulated balances under CRR. With effect from the fortnight beginning June 24, 2006 penal interest would be charged as follows: i) in cases of default in maintenance of CRR requirement on a daily basis, which is presently 70 per cent of the total CRR requirement, penal interest would be recovered for that day at the rate of three per cent per annum above the bank rate on the amount by which the amount actually maintained falls short of the prescribed minimum on that day; and if the shortfall continues on the next succeeding day/s, penal interest would be recovered at a rate of five per cent per annum above the Bank Rate; (ii) in cases of default in maintenance of CRR on average basis during a fortnight, penal interest would be recovered as envisaged in sub-section (3) of Section 42 of Reserve Bank of India Act, 1934. Similar guidelines were issued to RRBs on August 11, 2006.
	22	• Banks permitted to offer internet based foreign exchange services, for certain transactions, in addition to the local currency products already allowed to be offered on internet based platforms, subject to certain conditions.

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

Announcement Date		Measures
2006		
August	24	• All banks were advised to recognise interest subsidy eligibility certificate issued by Khadi and Village Industries Commission (KVIC) for extending credit to khadi institutions and entrepreneurs, provided KVIC's assessment for working capital requirement does not exceed the assessment made by banks by more than 10 per cent. • To further improve customer service for outstation investors, half-yearly interest/ principal of relief/ savings bonds to investors may be made at a place of their choice, either by issue of a demand draft, free of cost, or an 'at par' cheque payable at all branches of the bank.
September	1	• Within the overall target for priority sector lending and the sub-target of 10 per cent for the weaker sections, sufficient care should be taken to ensure that the minority communities also receive an equitable portion of the credit. The above requirement should be considered by lead banks while preparing district credit plans. • In order to improve the quality of service available to customers in branches, banks were advised to ensure that full address/telephone number of the branch is invariably mentioned in the pass books/statement of accounts issued to account holders. Similar guidelines were issued to RRBs on September 15, 2006.
	4	• It was clarified to the banks that instructions on moratorium, maximum repayment period, additional collateral for restructured loans and asset classification in respect of fresh finance will be applicable to all affected restructured borrowal accounts, including accounts of industries and trade, besides agriculture. Asset classification of the restructured accounts as on the date of natural calamity will continue if the restructuring is completed within a period of three months from the date of natural calamity.
	14	• Banks were advised to delegate adequate powers to the bank managers for sanctioning loans without referring to higher authorities and following of the procedure for calculating interest on loans, excluding subsidy amount under SGSY Scheme.
	18	• The name of "Chohung Bank" has been changed to "Shinhan Bank" in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from August 12, 2006.
	20	• Banks were advised that the exposure of banks to entities for setting up Special Economic Zones (SEZs) or for acquisition of units in SEZs which includes real estate would be treated as exposure to commercial real estate sector with immediate effect and banks would have to make provisions as also assign appropriate risk weights for such exposures as per the existing guidelines. • Detailed instructions issued to Banks under Section 17(1) and 17(1)(b)(ii) of BR Act 1949 regarding transfer of profit to their Reserve Fund.
October	4	• Banks were advised to invariably offer pass book facilities to all their account holders (individuals).
	5	• Operational guidelines were issued for banks undertaking/proposing to undertake primary dealer business.
	11	• Banks were advised that it would not be mandatory to put a clause in the guarantee issued by them, regarding an obligation on the part of the beneficiary of the guarantee to seek confirmation of the controlling office/head office.
	18	• The banks were advised to ensure that all the loan accounts of the farmers in the specified districts which are overdue as on July 1, 2006 are rescheduled on the lines of package of relief measures for the debt stressed farmers of 25 districts in the states of Andhra Pradesh, Karnataka and Kerala.
	31	• All SCBs (excluding RRBs) advised that in view of the current macroeconomic and overall monetary conditions, the fixed repo rate under the liquidity adjustment facility (LAF) of the Reserve Bank has been increased by 25 basis points with effect from Second LAF of October 31, 2006 to 7.25 per cent from 7.00 per cent. The reverse repo rate under the LAF remains unchanged at 6.00 per cent. All other terms and conditions of the current LAF Scheme will remain unchanged.
November	3	• Guidelines on managing risks and code of conduct in outsourcing of financial services issued to SCBs.

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

Announcement Date		Measures
2006		
November	6	• In order to facilitate the expansion of Indian corporates' business abroad, the prudential limit on credit and non-credit facilities extended by banks to Indian Joint Ventures (where the holding by the Indian company is more than 51 per cent)/Wholly Owned Subsidiaries abroad was enhanced from 10 per cent to 20 per cent of their unimpaired capital funds (Tier I and Tier II capital).
	10	• SCBs were advised that the period of fortnight prescribed, for issue of duplicate demand draft would be applicable only in cases where the request for duplicate demand draft was made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.
	13	• In order to assist distressed farmers as also farmers defaulting on their loans due to circumstances beyond their control, SCBs may frame transparent one-time settlement (OTS) policies for such farmers, with the approval of their boards.
	28	• All SCBs (excluding RRBs) were advised that loans granted to SHGs, which are engaged in agriculture and allied activities, will be classified as direct finance to agriculture, as long as the respective SCB is able to maintain such disaggregated data on SHGs/micro-credit portfolio.
December	11	• The Reserve Bank increased the CRR of the SCBs and RRBs by one-half of one percentage point of their net demand and time liabilities (NDTL) in two stages, 5.25 per cent effective fortnight beginning December 23, 2006 and 5.50 per cent fortnight beginning January 6, 2007.
	15	• Revised instructions/norms were issued by the Reserve Bank to all SCBs on prudential capital markets norms such as components of capital market exposure, limits on banks' exposure to the capital markets, etc.
	18	• SCBs were advised that customer should not be compelled to drop the cheques in the drop box. Banks were also advised to display on the cheque drop box, 'Customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips'. No branch should refuse to give an acknowledgement if the customer tenders the cheque at the counter. Similar advises were issued to RRBs, StCBs and DCCBs on December 26, 2006 and to UCBs on December 28, 2006.
	20	• The Liberalised Remittance Scheme was liberalised further by the Reserve Bank by enhancing the limit of US $ 25,000 per calendar year to US $ 50,000 per financial year (April-March) for any current or capital account transactions or a combination of both.
	22	• It was decided in consultation with the Government of India to allow foreign investment in infrastructure companies in securities market, namely stock exchanges, depositories and clearing corporations, in compliance with SEBI Regulations and subject to the following conditions : (i) foreign investment up to 49 per cent will be allowed in these companies with a separate foreign direct investment (FDI) cap of 26 per cent and Foreign Institutional Investment (FII) cap of 23 per cent; (ii) FDI will be allowed with specific prior approval of FIPB; and (iii) FII will be allowed only through purchases in the secondary market.
2007		
January	4	• SCBs were issued guidelines for formulating policy for valuation of properties, revaluation of bank's own properties and for empanelment of independent valuers.
	9	• SCBs were advised by the Reserve Bank that the minimum margin of 50 per cent and minimum cash margin requirement of 25 per cent (within the above margin of 50 per cent) for issue of guarantees by banks on behalf of share and stock brokers, will also be applicable to guarantees issued by banks on behalf of commodity brokers in favour of national level commodity exchanges, in lieu of margin requirements as per the commodity exchange regulations.
	10	• SCBs were advised by the Reserve Bank that State Bank of Patiala has been assigned the Lead Bank responsibility of the new district, viz., Barnala in Punjab.
	18	• The Reserve Bank decided to assign the Lead Bank responsibility of the new districts, viz., Udalguri, Chirang and Baksa in Assam to State Bank of India.

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

<table>
<tr><th colspan="2">Announcement Date</th><th>Measures</th></tr>
<tr><td colspan="2">2007</td><td></td></tr>
<tr><td>January</td><td>29</td><td>• The Reserve Bank advised that the name of 'The Ganesh Bank of Kurundwad Ltd.' was excluded from the Second Schedule to the RBI Act, 1934 with effect from October 21, 2006.</td></tr>
<tr><td></td><td>31</td><td>• The Reserve Bank decided to increase the fixed repo rate under the liquidity adjustment facility (LAF) by 25 basis points with effect from January 31, 2007 to 7.50 per cent. The reverse repo rate under the LAF remained unchanged at 6.0 per cent.
• The Reserve Bank advised the SCBs that the Standing Liquidity Facilities provided to banks (export credit finance) would be available at the repo rate, i.e., 7.50 per cent with effect from January 31, 2007.
• The Reserve Bank advised the SCBs that they may undertake short sale of Central Government dated securities, subject to the short position being covered within a maximum period of five trading days, including the day of trade.
• The Reserve Bank advised the SCBs about the increase in the provisioning requirement in respect of standard assets in respect of personal loans (including credit card receivables), loans and advances qualifying as capital market exposure and real estate loans from the present level of one per cent to two per cent with effect from January 31, 2007.
• The Reserve Bank advised the SCBs that the interest rates on fresh Non-Resident (External) Rupee (NRE) Term Deposits for one to three years maturity should not exceed the LIBOR/SWAP rates, as on the last working day of the previous month, for US dollar of corresponding maturities plus 50 basis points (as against LIBOR/ SWAP rates plus 100 basis points effective from close of business on April 18, 2006). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period. The Reserve Bank also advised that in respect of FCNR (B) deposits of all maturities contracted effective from the close of business in India as on January 31, 2007, interest shall be paid within the ceiling rate of LIBOR/SWAP rates for the respective currency/corresponding maturities minus 25 basis points (as against LIBOR/ SWAP rates effective from the close of business on March 28, 2006). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency/maturity minus 25 basis points. For floating rate deposits, the interest reset period shall be six months.
• The Reserve Bank advised that the banks should not grant fresh loans or renew existing loans in excess of Rs. 20 lakh against the NR (E) RA and FCNR (B) deposits, either to depositors or to third parties, with immediate effect. Banks were also advised not to undertake artificial slicing of the loan amount to circumvent the ceiling.</td></tr>
<tr><td>February</td><td>12</td><td>• In pursuance of the Bank's Clean Note Policy, the currency chest holding banks were advised to automate the sorting of notes by installing Note Sorting Machines (NSM) at their currency chests. The tolerance level of reissuable notes in the soiled banknote remittance to the Reserve Bank was changed from the existing 10 per cent to 5 per cent of each remittance, with immediate effect.</td></tr>
<tr><td></td><td>14</td><td>• Banks were advised that cash reserve ratio (CRR) will be increased by one-half of one percentage point of their net demand and time liabilities (NDTL) in two stages, effective from the fortnights as indicated below:
<table>
<tr><th>Effective date (i.e., the fortnight beginning from)</th><th>CRR on net demand and time liabilities (per cent)</th></tr>
<tr><td>February 17,2007</td><td>5.75</td></tr>
<tr><td>March 3, 2007</td><td>6.00</td></tr>
</table></td></tr>
<tr><td></td><td>21</td><td>• Banks were advised to lay down general principles and broad parameters to be followed by them while offering "doorstep" services to their customers and to ensure transparency in respect of the rights and obligations of customers, uniformity in approach and to clearly delineate the risks involved.
• Banks were also advised to take suitable steps to educate their "Agents" to enable them to detect forged and mutilated notes so as to avoid frauds and disputes with the customers.</td></tr>
</table>

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

Announcement Date		Measures
2007		
February	22	• In order to enhance the effectiveness of the grievance redressal mechanism, banks were advised to place a statement of complaints before their Boards / Customer Service Committees alongwith an analysis of the complaints received. The complaints should be analysed: (i) to identify customer service areas in which the complaints are frequently received;(ii) to identify frequent sources of complaint; (iii) to identify systemic deficiencies; and (v) for initiating appropriate action to make the grievance redressal mechanism more effective.
March	1	• All SCBs were advised that they would continue to be exempted from maintaining average CRR with effect from June 22, 2006 on the following liabilities, subject to the maintenance of statutory minimum CRR of 3 per cent on their total demand and time liabilities:(i) liabilities to the banking system in India as computed under clause (d) of the Explanation to Section 42 (1) of the Reserve Bank of India Act, 1934; (ii) credit balances in ACU (US$) Accounts; (iii) transactions in Collateralised Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India. (CCIL); and (iv) demand and time liabilities in respect of their Offshore Banking Units (OBUs) • All SCBs (excluduing RRBs) were advised that the Government of India have notified January 9, 2007 as the date on which all the provisions, except Section 3 of the Reserve Bank of India (Amendment) Act, 2006 shall come into force. 1. Section 3 of Reserve Bank of India (Amendment) Act, 2006 provided for the removal of: (i) the ceiling and floor on the CRR to be prescribed by the Reserve Bank having regard to the need for securing monetary stability in the country; and (ii) the provision for interest payment on eligible CRR balances 2. In terms of the powers conferred on the Reserve Bank under sub-Section 42(5)(c) of the Reserve Bank of India Act, 1934, it was decided to exempt such banks from payment of the penal interest who have breached the statutory minimum CRR level of 3 per cent during June 22, 2006 to March 2, 2007 on account of CRR exemptions reckoned for computation of demand and time liabilities for CRR. 3. The Reserve Bank would also pay interest to all SCBs on the eligible CRR balances at the rate of: (a) 3.50 per cent per annum on eligible cash balances maintained with the Reserve Bank of India under CRR requirement from the fortnight beginning June 24, 2006 to December 8, 2006, (b) 2.0 per cent on eligible cash balances maintained with the Reserve Bank under CRR requirement from the fortnight beginning from December 9, 2006 to February 16, 2007, and (c) 1.0 per cent on eligible cash balances maintained with the Reserve Bank under CRR requirement from the fortnight beginning from February 17, 2007.
	2	• All RRBs were advised that Government of India have notified January 9, 2007 as the date on which all the provisions, except Section 3 of the Reserve Bank of India (Amendment) Act, 2006 shall come into force. 1. Effective CRR maintained by RRBs on total demand and time liabilities shall not be less than 3 per cent. In exercise of the powers conferred on the Reserve Bank of India under sub-section (1) of section 42 of the Reserve Bank of India Act, 1934, all RRBs would continue to maintain a cash reserve ratio of 5.75 per cent effective on fortnight beginning from February 17, 2007 and 6.00 per cent effective from the fortnight beginning from March 3, 2007 of their total demand and time liabilities. 2. In terms of the powers conferred on the Reserve Bank under sub-Section 42(5)(c) of the Reserve Bank of India Act, 1934, banks who have breached the statutory minimum CRR level of 3 per cent during June 22, 2006 to March 2, 2007 on account of CRR exemptions reckoned for computation of demand and time liabilities for CRR would be exempt from payment of the penal interest 3. The Reserve Bank would pay interest to all RRBs on the eligible CRR balances at the rate of: (a) 3.50 per cent per annum on eligible cash balances maintained with the Reserve Bank under CRR requirement from the fortnight beginning June 24, 2006 to December 8, 2006. (b) 2.0 per cent on eligible cash balances maintained with the Reserve Bank under CRR requirement from

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

Announcement Date		Measures
2007		
		the fortnight beginning from December 9, 2006 to February 16, 2007 and (c) 1.0 per cent on eligible cash balances maintained with the Reserve Bank under CRR requirement from the fortnight beginning February 17, 2007.
March	2	• All RRBs were advised that they would continue to be exempted from maintaining average CRR with effect from June 22, 2006 on the following liabilities, subject to the maintenance of statutory minimum CRR of 3 per cent on their total demand and time liabilities: (i) liabilities to the banking system in India as computed under clause (d) of the Explanation to Section 42 (1) of the RBI Act, 1934; and (ii) transactions in Collateralised Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India (CCIL). • All SCBS were advised that starting March 5, 2007 (Monday), daily reverse repo absorptions would be limited to a maximum of Rs.3,000 crore each day, comprising Rs.2,000 crore in the First Liquidity Adjustment Facility (LAF) and Rs.1,000 crore in the Second LAF. Allocations would normally be made proportionately on a *pro-rata* basis in case the tenders exceed these amounts. • All SCBS (excluding RRBs) were advised that starting March 5, 2007 (Monday), daily reverse repo absorptions would be limited to a maximum of Rs.3,000 crore each day, comprising Rs.2,000 crore in the First Liquidity Adjustment Facility (LAF) and Rs.1,000 crore in the Second LAF. Allocations would normally be made proportionately on a *pro-rata* basis in case the tenders exceed these amounts.
	6	• All SCBs were advised that loan application forms in respect of priority sector advances in respect of all categories of loans irrespective of the amount of loan sought by the borrower should be comprehensive and should include information about the fees/charges, if any, payable for processing, the amount of such fees refundable in the case of non-acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so that a meaningful comparison with that of other banks could be made and informed decision could be taken by the borrower.
	7	• The name of The United Western Bank Ltd has been excluded from the Second Schedule to the Reserve Bank of India Act, 1934 with effect from November 25, 2006.
	13	• Banks were to use the floating provisions only for contingencies under extra-ordinary circumstances for making specific provisions in impaired accounts after obtaining board's approval and with prior permission of the Reserve Bank. These extra-ordinary circumstances could broadly fall under three categories *viz*. General, Market and Credit. Under general category, there can be situations where bank was put to unexpected loss due to events such as civil unrest or collapse of currency in a country. Natural calamities and pandemics could also be included in the general category. Market category would include events such as a general melt down in the markets, which affects the entire financial system. Among the credit category, only exceptional credit losses would be considered as an extra-ordinary circumstance.
	14	• Banks were advised to ensure that no loans were sanctioned for acquisition of/investing in Small Savings Instruments including Kisan Vikas Patras.
	16	• Banks were advised that only one channel of payment of remuneration for handling transactions under Public Provident Fund Scheme, 1968 (PPF) and Senior Citizen Savings Scheme 2004 (SCSS) would be followed. Accordingly, Reserve Bank of India would pay agency commission on transactions relating to PPF and SCSS at the following rates: a) Receipts - Rs.45/- per transaction, b) Payments - 9 paise per Rs.100/- turnover. With the revision of the rates as above, Government of India would discontinue the payment of remuneration for managing PPF and SCSS. The above rates would be applicable from July 1, 2005 for PPF transactions and from April 1, 2006 for SCSS transactions.
	20	• All commercial banks excluding LABS and RRBs were advised that Revised draft guidelines on implementation of the New Capital Adequacy Framework would be open for a second round of consultation for a period of three weeks for feedback and comments.

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

Announcement Date		Measures
2007		
March	21	• With a view to bringing in uniformity in time-frame for reporting both Central and State Government Transactions to the Reserve Bank, it was decided with the approval of Comptroller and Auditor General of India that the existing procedure applicable to Central Government transactions, may also be made applicable to State Government transactions. Accordingly, (a) For local transactions the settlement of transaction with Reserve Bank shall be completed within T+3 working days (where T is the day when money is available to the bank branch). (b) For outstation Transactions the settlement of transaction with Reserve Bank shall be completed within T+5 working days. (c) In case of both the local and outstation transactions, the put through date, *i.e.* the date of settlement with the Reserve Bank shall be kept outside this time limit of T+3 and T+5 working days, respectively; (d) Delayed period interest shall be imposed on the banks for the actual delayed period and not from the date of transaction, The period of delay in respect of transactions of Rs.1 lakh and above shall attract delayed period interest at Bank Rate + 2 per cent and for transactions below Rs.1 lakh each, the delayed period interest shall be levied at the Bank Rate for delays up to 5 calendar days. and at the Bank Rate + 2 per cent in case of delays above 5 calendar days for the full period of delay**.** The revised procedure will come into effect from April 1, 2007.
	30	• SCBs were advised that the following modifications in the LAF sub-module of the PDO-NDS would come into effect on April 3, 2007: i) The PDO-NDS would now enable SCBs and Primary Dealers to offer SDLs as eligible securities to the Reserve Bank under the LAF-Repos. A margin of 10 per cent would be applied in respect of SDLs *i.e.* a Repo bid for Rs.100 will have to be backed by Rs.110 (face value) of SDLs. ii) The transfer of securities from the SGL Account to the RC SGL account and *vice-versa* could now be made by the member through RC Transfer or RC Withdrawal (under Transfer Order Booking functionality) in the LAF module without obtaining the approval of PAD (Securities Section). However, the balance available in the RC SGL account could not be utilized for any transaction other than LAF, as hitherto. iii) Members having insufficient securities in the RC SGL account for the ready leg of a repo transaction would now receive a message on PDO-NDS alerting them about the shortfall which has to be replenished within 15 minutes of the bid close time, failing which the bids would be liable for rejection. • SCBs were advised that the fixed repo rate under the LAF was revised to 7.75 per cent with effect from March 31, 2007. Accordingly, the Standing Liquidity Facilities provided to banks (export credit refinance) (collateralised liquidity support) from the Reserve Bank would be available at the repo rate *i.e.* at 7.75 per cent with effect from March 31, 2007. • SCBs were advised that the fixed repo rate under the LAF has been increased by 25 basis points to 7.75 per cent from 7.50 per cent, with effect from March 31, 2007. The reverse repo rate under LAF remained unchanged at 6.0 per cent.
April	3	• SCBs advised that it was decided to allow the nominated banks themselves to decide the tenor of Gold (Metal) Loans – which they were permitted to extend to domestic jewellery manufactures, who were not exporters of jewellery – provided the tenor did not exceed 180 days and the banks policy with regard to the tenor and monitoring the end use of gold loans was documented in the bank's loan policy and strictly adhered to.
	4	• SCBs/RRBs advised that it was decided to increase CRR by one-half of one percentage point of their net demand and time liabilities (NDTL) in two stages, effective from the fortnights as indicated below:

Effective date (i.e. the fortnight beginning from)	CRR on net demand and time liabilities (per cent)
April 14, 2007	6.25
April 28, 2007	6.50

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

Announcement Date		Measures
2007		
		However, the effective CRR maintained by RRBs on total demand and time liabilities should not be less than 3.00 per cent, as stipulated under the Reserve Bank of India Act, 1934. With effect from the fortnight beginning on April 14, 2007, the RRBs would be paid interest at the rate of 0.50 per cent per annum on eligible cash balances maintained with the Reserve Bank under current CRR requirement.
April	4	• The Government of India had enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. The definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services was modified and was required to be implemented by the banks alongwith other policy measures with immediate effect. Bank's lending to medium enterprises will not be reckoned for the purpose of the priority sector.
	10	• In view of the unsatisfactory performance of the implementing banks of PMRY for the programme year 2006-07, the Ministry of Agro and Rural Industries, Government of India has decided to extend the validity of sanction and completion of disbursements for the Programme Year 2006-07 to June 30, 2007. Accordingly, banks were requested to strictly adhere to this deadline and complete the disbursements of sanction cases under the programme year 2006-07 by June 30, 2007.
	11	• SCBs were advised to ensure that cheques/ drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them.
	12	• Banks were advised that in case of infrastructure projects financed by them, the date of completion of the project should be clearly spelt out at the time of financial closure of the project and if the date of commencement of commercial production extended beyond a period of one year after the date of completion of the project, as originally envisaged, the account should be treated as sub-standard. The revised instructions came into force with effect from March 31, 2007.
	13	• Guidelines on Know Your Customer (KYC) Norms/Anti-Money Laundering (AML) Standards/ Combating of Financing of Terrorism (CFT) – Wire Transfers were issued, whereby banks were instructed to obtain accurate and meaningful originator information.
	17	• Based on the recommendations of the Committee on Procedures and Performance Audit on Public Services (CPPAPS) for easy operation of lockers, the Reserve Bank reviewed all the guidelines issued on various issues relating to safe deposit lockers/safe custody articles and fresh guidelines were issued.
	18	• SCBs were advised that guidelines on Accounting Standard 17(Segment Reporting) – Enhancement of disclosures were reviewed in the light of the need for greater transparency As the segment of 'Other Banking Business' was very broad and did not lend sufficient transparency to the balance sheet, it was decided to divide this segment into the following three categories *viz*., corporate/ wholesale banking, retail banking and other banking operations. Accordingly, banks would adopt the following business segments for public reporting purposes, from March 31, 2008: a) Treasury b) corporate/wholesale banking, *(new)* c) retail banking, *(new)* d) other banking business. The geographical segments would remain unchanged as 'domestic' and 'international'.
	20	• As banks were adopting different accounting methods for amortising the premium in respect of their HTM securities, they were advised to refer to the format of the balance sheet and profit and loss account prescribed in the Third Schedule to the Banking Regulation Act, 1949 which indicated the accounting of loss on revaluation of investments. With a view to bringing about uniformity in the accounting of this aspect, banks were advised to adopt the correct accounting methodology while finalising their financial statements, including the statements for the year ended March 31, 2007. i) Government of India in their Extraordinary Gazette notification No.S.O.337(E) dated March 9, 2007 notified April 01, 2007 as the date on which the provisions of Section 3 of the Reserve Bank of India (Amendment) Act, 2006 came into force. Consequent upon this, the amendment carried out to sub-Section (1) of Section 42 of Reserve Bank of India Act, 1934 was brought into force with effect from April 1, 2007. Accordingly, the statutory minimum CRR requirement of 3

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

Announcement Date		Measures
2007		
		per cent of total demand and time liabilities no longer existed with effect from the said notified date. The Reserve Bank having regard to the needs of securing the monetary stability in the country, could from time to time prescribe the CRR for SCBs without any floor and ceiling rate. ii) It was decided to continue the status quo on the rate of CRR to be maintained by SCBs and the extant exemptions which will be operative till further changes were notified. Accordingly, SCBs would continue to maintain CRR on their total demand and time liabilities. Effective date (i.e. the fortnight beginning from) — CRR on net demand and time liabilities (per cent) April 14, 2007 — 6.25 April 28, 2007 — 6.50 iii) In view of Section 3 of the Reserve Bank of India (Amendment) Act, 2006 coming into force, sub-section (1B) of Section 42 of the Reserve Bank of India Act, 1934 stands omitted with effect from April 1, 2007. Consistent with the amendment it was decided that with effect from the fortnight beginning March 31, 2007, the Reserve Bank would not be paying any interest on the CRR balances maintained by SCBs.
April	20	• SCB (excluding RRBs) were advised that they would be exempted from maintaining average CRR with effect from April 1, 2007 on (i) Liabilities to the banking system in India as computed under Clause (d) of the Explanation to Section 42 (1) of the RBI Act, 1934; (ii) Credit balances in ACU (US$) Accounts; (iii) Transactions in Collateralized Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India. (CCIL); and (iv) Demand and Time Liabilities in respect of their Offshore Banking Units (OBUs).
	25	• Banks were advised to ensure that none of their bank branches/staff refuse to accept lower denomination notes and/or coins. Furthers they should ensure that all the staff members are made fully conversant with the instructions in this regard and also comply strictly with the same. Stern action would have to be taken in the event of refusal/non-compliance by any staff member. Similar guidelines were issued to RRBs on May 10, 2007.
	27	• GoI have advised that credit flow should be monitored in 103 minority concentration districts which have at least 25 per cent minority population, excluding those States/UTs where minorities are in majority (Jammu and Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshdweep). The data should be furnished at half yearly intervals w.e.f April 1, 2007. Banks were advised to issue necessary instructions to their controlling offices and branches to specially monitor the credit flow to minorities in 103 districts as against 44 districts which are presently being monitored. • Prudential Guidelines on Capital Adequacy and Market Discipline – Implementation of the New Capital Adequacy Framework finalised for implementation.
	30	• SCBs to immediately dispense with the requirement of ‘no due’ certificate for small loans up to Rs.50,000 to small and marginal farmers, share-croppers and the like and, instead, obtain self-declaration from the borrower. Further banks could accept certificates provided by local administration/panchayati raj institutions regarding the cultivation of crops in case of loans to landless labourers, share-croppers and oral lessees. • SCBs advised that revised guidelines on lending to priority sector issued. • GoI, has clarified that in cases where the depositor has expired before the maturity of the deposits and the nominee / legal heir approach the banker for closure of the deposit account, the nominee / legal heir in such cases is entitled to the benefit of Saving Bank rate of interest for the period commencing the date of death of the depositor to the date of closure of the account under Senior Citizens Savings Scheme (SCSS), 2004. • Agency banks expected to provide an enabling environment and facilities to the customers for making government transactions electronically by providing ECS/EFT facilities.

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

Announcement Date		Measures
2007		
May	3	• RRBs could take up corporate agency business, without risk participation, for distribution of all types of insurance products, including health and animal insurance, subject to certain conditions: There should be no 'linkage' either direct or indirect between the provisions of the bank need not obtain prior approval of the Reserve Bank for taking up corporate agency business for distribution of insurance products without risk participation. However, a report should be sent to the concerned Regional Office of Reserve Bank (RPCD) within 15 days of commencing the insurance agency business. • Banks were advised that the risk weight in respect of housing loans up to Rs.20 lakh to individuals against the mortgage of residential housing properties was reduced from 75 per cent to 50 per cent. Similarly, the risk weight for banks' investment in mortgage backed securities, which were backed by housing loans and were issued by the housing finance companies regulated by the National Housing Bank was also reduced from 75 per cent to 50 per cent. The reduced risk weights would be reviewed after one year keeping in view the default experience and other relevant factors.
	7	• SCBs were advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, were not levied by them on loans and advances. • Banks were advised to scale up their financial inclusion efforts by utilising appropriate technology. Care should be taken to ensure that the solutions developed are: highly secure, amenable to audit and follow widely accepted open standards to allow inter-operability among the different systems adopted by different banks.
	8	• Exemption granted to RRBs up to the financial year 2006-07 from 'mark to market' norms in respect of their investments in SLR securities has been extended by one more year *i.e.* for the financial year 2007-08. Accordingly, RRBs would have the freedom to classify their entire investment portfolio of SLR securities under 'Held to Maturity' for the financial year 2007-08 with valuation on book value basis and amortisation of premium, if any, over the remaining life of securities.
	10	• Banks in India were permitted to extend funded and/or non-funded credit facilities to wholly owned step-down subsidiaries of Indian companies (where the holding by the Indian company is more than 51 per cent) abroad within the existing prudential limits and some additional safeguards.
	14	• RRBs advised to ensure that no money transaction of the company/ies, declared as "defaulted companies" by the Hon'ble Patna High Court be allowed in the bank. Accordingly, all branches may be advised in this regard immediately and the compliance of the order be reported.
	15	• RRBs were advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances.
	16	• In partial modification of the earlier guidelines on purchase/sale of NPAs dated July 13, 2005, SCBs AIFIs, NBFCs (including RNBCs) were advised that at least 10 per cent of the estimated cash flows should be realised in the first year and at least 5 per cent in each half year thereafter, subject to full recovery within three years. The revised guidelines came into force with immediate effect. • SCBs were permitted to begin transacting in single-entity credit default swaps.
	17	• The Bharat Overseas Bank excluded from the Second Schedule to the RBI Act 1934 with effect from April 1, 2007.
	18	• Revised guidelines on lending to priority sector-weaker section issued to SCBs.
	21	• RRBs were urged to scale up their financial inclusion efforts by utilising appropriate technology. Care should be taken to ensure that the solutions developed were: highly secure, amenable to audit and followed widely accepted open standards to allow inter-operability among the different systems adopted by different banks. • Guidelines issued to RRBs under Section 35A of the Banking Regulation Act, 1949 on cross border wire transfers and domestic wire transfers.

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

Announcement Date		Measures
2007		
May	21	• Clarifications on Agency Commission - Public Provident Fund Scheme, 1968 (PPF) and Senior Citizens Savings Scheme, 2004 (SCSS) issued.
	24	• The Reserve Bank directed all SCBs and RRBs to comply with the amended Banking Ombudsman Scheme, 2006. • Banks (excluding RRBs) were permitted to (i) deliver cash/draft at the doorstep of the individual customers (in addition to corporate customers/Government Departments/PSUs, etc.) either against cheques received at the counter or requests received through any secure convenient channel such as phone banking/internet banking and (ii) deliver cash/draft at the doorstep of Corporate customers/Government Departments/ PSUs, etc., against cheques received at the counter or requests received through any secure convenient channel such as phone banking/internet banking, subject to the banks adopting technology and security standards and including those specifically relating to authenticating users and taking adequate safeguards/ precautions in undertaking the above transactions.
	25	• It has been decided that the concessions/credit relaxations to borrowers/customers in the State of Jammu and Kashmir would continue to be operative for a further period of one year, i.e., up to March 31, 2008.
	29	• SCBs (excluding RRBs) were advised that Government of India had allocated a target of 3,75,690 to States/UTs under PMRY for the year 2007 – 2008. The targets were worked out on the basis of the final performance report for the year 2005- 06 of States/UTs. The States/UTs where the recovery of loans were less than 35 per cent for the half year ended March, 2006 were requested that appropriate action plans for improving recovery of loans be formulated by each of the implementing banks in these States. The terms and conditions of the Yojana would be governed by the revised guidelines for PMRY.
	31	• Banks were advised that tax was required to be deducted at source on the interest exceeding Rupees ten thousand payable during the financial year on 8 per cent Savings (Taxable) Bonds, 2003 with effect from June 1, 2007.
June	6	• Remuneration payable to the Statutory Central and Branch Auditors of Public Sector Banks from the year 2006-07 were revised.
	8	• GoI has decided to allow regularisation of multiple accounts opened by depositors (under the Senior Citizens Saving Scheme –2004) in the same account office, in the same calendar month due to ignorance, by merging all the accounts into the first account, subject to the condition, that deposits under the merged accounts (or discontinued accounts) will not earn any interest for the intervening period, *i.e.*, for the period from the opening of first account to the date of opening of second / subsequent irregular account which stood merged into the first account. The merger as well as consolidated amount of deposit in the account will also be subject to other terms and conditions of the scheme.
	13	• Banks were advised that the limit of the loan under the Differential Rate of Interest (DRI) scheme was raised from Rs. 6,500 to Rs.15,000 and the limit of the housing loan from Rs.5,000 to Rs.20,000 per beneficiary.
	15	• RRBs were advised that with a view to encouraging them to open branches in hitherto uncovered districts, it was decided that the compliance with conditions prescribed at Sr.Nos. (iii) to (v) under paragraph 1.2 of the circular RPCD.CO.RRB.No.BL.BC/11/03.05.90-A/2006-07 dated July 11, 2006 was left to the discretion of the concerned Empowered Committee for RRBs.
	19	• With a view to providing more business avenues and opportunities to RRBs for lending, They were permitted to participate in consortium lending, within the extant exposure limits, with their sponsor banks as also with other public sector banks and developmental financial institutions (DFIs), subject to the condition that the project to be financed is in the area of operation of the RRB concerned and guidance and appraisal of the project is provided by their sponsor bank.
	21	• Draft guidelines on prudential guidelines on restructuring/ rescheduling of dues by banks issued to SCBs (excluding RRBs and LABs)

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

Announcement Date		Measures
2007		
June	22	• With a view to providing further liberalisation, RRBs were allowed to set up service branches / central processing centres (CPCs) / back offices exclusively to attend to back office functions such as data processing, verification and processing of documents, issuance of cheque books, demand drafts, *etc*., and other functions incidental to their banking business. These offices would have no interface with customers and would not be allowed to be converted into general banking branches. These offices would be treated on par with a branch and the RRBs would be required to obtain necessary licence from the concerned Regional Office of the Reserve Bank.
	28	• RRBs were permited to accept FCNR (B) deposits as announced in the Union Budget 2007-08. The eligibility criteria prescribed for authorisation to open /maintain Non-Resident (Ordinary / External) accounts in rupees were also reviewed. • Banks were advised that "acting as Pension Fund Manager" as a form of business would be lawful for a banking company to engage in. Banks could undertake Pension Funds Management (PFM) through their subsidiaries set up for the purpose subject to their satisfying the eligibility criteria prescribed by PFRDA for Pension Fund Managers.
July	3	• In view the complaints from credit card subscribers and the observations of the High Court, Delhi, the Telecom Regulatory Authority of India (TRAI) has been taking certain national level initiatives to address the various issues relating to Unsolicited Commercial Communications (UCC). TRAI has framed The Telecom Unsolicited Commercial Communications (UCC) Regulations 2007 for curbing UCC. Acordingly banks were advised to implement certain instructions.
	11	• GoI vide notification dated April 20, 2007 had decided to create a buffer stock of 20 lakh tonnes of sugar for a period of one year with effect from May 1, 2007. Under the arrangement, the Government would release subsidy of Rs. 378 crore out of Sugar Development Fund and the banks would have to sanction additional credit limits amounting to Rs.420 crore to release the margin consequent upon creation of the buffer stock from the existing stocks of sugar.
	16	• All SCBs were advised that GoI has added a list of 18 districts to the list of 103 districts making total number of minority concentrated districts to 121. Banks were to specially monitor the credit flow to minorities in these 121 districts as against the 103 districts which were required to be monitored, thereby ensuring that the minority communities received an equitable portion of the credit within the overall target of the priority sector.
	25	• Guidelines regarding remuneration payable to the Statutory Central and Branch Auditors of Public Sector Banks from the year 2006-07 issued.
	31	• All SCBs (except RRBs & LABs)/AIFIs/NBFCs were advised that SEBI had permitted FIMMDA to set up its reporting platform for corporate bonds. It had also been mandated to aggregate the trades reported on its platform as well as those reported on BSE and NSE with appropriate value addition. FIMMDA had proposed to go live with its platform, which at present is under trial run, from September 1, 2007. All SCBs/AIFIs/ NBFCs would be required to report their secondary market transactions in corporate bonds done in OTC market, on FIMMDA's reporting platform with effect from September 1, 2007. NBFCs could approach FIMMDA directly for participating in the mock reporting sessions. • All SCBs advised that the ceiling of Rs. 3,000 crore on daily reverse repo under the LAF was withdrawn with effect from August 6, 2007. The Second LAF (SLAF) introduced on November 28, 2005 and conducted between 3.00-3.45 p.m. on a daily basis was withdrawn w.e.f. August 6, 2007. The Reserve Bank would continue to conduct LAF operations between 9.30 am and 10.30 am as a single LAF window. Until notified, these auctions would be on a fixed rate basis as hitherto. The Reserve Bank had the flexibility to conduct repo/reverse repo auctions at a fixed rate or variable rates as circumstances warranted. Reserve Bank also retained the option to conduct overnight or longer term repo/reverse repo under the LAF depending on market conditions and other relevant factors. The Reserve Bank would continue to use this flexibility including the right to accept or reject tender(s) under the LAF, wholly or partially, if deemed fit, so as to make efficient use of the LAF in daily liquidity management. • All SCBs were advised that CRRs of SCBs was increased by 50 basis points to 7 per cent with effect from the fortnight beginning August 4, 2007.

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

Announcement Date		Measures
2007		
August	3	• All SCBs (excluding RRBs) were advised that (i) In cases where negotiation of bills drawn under LC is restricted to a particular bank, and the beneficiary of the LC is not a constituent of that bank, the bank concerned may negotiate such an LC, subject to the condition that the proceeds will be remitted to the regular banker of the beneficiary. However, the prohibition regarding negotiation of unrestricted LCs of non-constituents will continue to be in force; and (ii) The banks may negotiate bills drawn under LCs, on 'with recourse' or 'without recourse' basis, as per their discretion and based on their perception about the credit worthiness of the LC issuing bank. However, the restriction on purchase/ discount of other bills (the bills drawn otherwise than under LC) on 'without recourse' basis will continue to be in force.
	13	• All RRBs were advised that they may extend, with the approval of their Boards, direct finance to the housing sector up to Rs. 20 lakh, irrespective of the area. Further, the limit of 5 per cent of incremental deposits over previous year, prescribed earlier also stood withdrawn.
	22	• All SCBs were advised to submit statement on housing finance disbursement on a quarterly basis indicating details of disbursement made by them towards housing finance, to the Reserve Bank. • All SCBs were advised to invariably furnish a copy of the loan agreement to all the borrowers at the time of sanction/disbursement of loans. • All RRBs were advised the revised guidelines on Lending to Priority Sector, which take into account the revised definition of small and micro enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006. From the financial year beginning April 1, 1997, the advances of RRBs to priority sector borrowers were to constitute 40 per cent of their outstanding advances, as in the case of commercial banks. Within the overall target of 40 per cent, the advances granted to weaker sections of society were to constitute 25 per cent of the priority sector advances (*i.e.*, 10 per cent of total outstanding advances).
	23	• All SCBs (excluding RRBs and LABs) were advised that the CCIL has developed a reporting platform for OTC Interest Rate Derivatives, which would capture the transactions in OTC interest rate derivatives (Interest Rate Swaps and Forward Rate Agreement (IRS/FRA)). The platform would be operationalised by August 30, 2007. All banks and PDs are required to report all their IRS/FRA trades on the reporting platform within 30 minutes from the deal time. Client trades are not to be reported. Banks and PDs may also ensure that details of all the outstanding IRS/FRA contracts (excluding the client trades) are migrated to the reporting platform by September 15, 2007. Detailed operational guidelines in this regard would be made available by CCIL.
September	3	• All SCBs were advised that on the basis of the revised guidelines on lending to priority sector, the existing formats for the relevant returns stood revised. • All SCBs were advised to take necessary steps for strengthening the branch level committees with greater involvement of customers. Further as senior citizens usually form an important constituency in banks, a senior citizen may preferably be included therein.
	4	• All RRBs were allowed to set up extension counters at places of worship and market places. The condition of being principal bankers would not apply in such cases. However, RRBs shall be required to obtain necessary licence from the concerned Regional Office of the Reserve Bank.
	5	• All Commercial Banks (excluding RRBs) were advised that : (a) the banks may adopt a more granular approach to measurement of liquidity risk by splitting the first time bucket (1-14 days at present) in the Statement of Structural Liquidity into three time buckets, *viz*., next day, 2-7 days and 8-14 days. (b) The net cumulative negative mismatches during the next day, 2-7 days, 8-14 days and 15-28 days buckets should not exceed 5 per cent, 10 per cent, 15 per cent and 20 per cent of the cumulative cash outflows in the respective time buckets in order to recognise the cumulative impact on liquidity. The format of Statement of Structural Liquidity has been revised suitably.
	7	• All SCBs were advised that the name of "The Sangli Bank Ltd." has been excluded from the Second Schedule to the Reserve Bank of India Act, 1934.

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

Announcement Date		Measures
2007		
September	10	• All PSBs were advised that it has been decided in consultation with the Government of India to withdraw 5 more circulars, *viz*., Delegation of powers to CMD/ED of nationalised banks, Delegation of powers to CMD/ED for compromise/write off, Vigilance arrangements in banks, Reporting of cases of bank robberies/dacoities/burglaries and Meeting of Standing Committee on Customer Services Settlement procedures in respect of payment of fraudulent instruments.
	13	• All RRBs were advised that it has been decided to allow RRBs to convert their satellite offices into full-fledged branches after obtaining concurrence from the Empowered Committee on RRBs. RRBs should also obtain necessary licence from the concerned Regional Office of the Reserve Bank.
	17	• All Commercial Banks were advised to ensure that all the branches of their bank meticulously adhere to the instructions issued by the Reserve Bank while extending home loans.
	21	• All RRBs were advised that as the restrictive provisions of Service Area Approach have been dispensed with, it has been decided to modify the undernoted paragraphs as follows: 3.1 *Shifting of branches at rural centers* The shifting of branches in rural centres may be effected by RRBs themselves without obtaining the prior approval of the Reserve Bank, subject to the condition that both the existing and proposed centres are within the same block, and that the relocated branch would be able to cater adequately to the banking needs of the villages served by the existing branch. 3.2. *At Semi-Urban Centres* RRBs may shift their branches at semi-urban centres within the same locality/municipal ward without the prior approval of the Reserve Bank. It should, however, be ensured that the locality/ ward is not rendered unbanked due to the shifting of branch/es. 9. *Merger of loss making branches* Where two loss making branches of any RRB are in close proximity to each other (*i.e.*, within a distance of about 5 kms.), they may consider merging the two branches with a view to rationalising the spatial spread and reducing establishment/operating costs. 10. Deleted
October	23	• The name of 'Lord Krishna Bank Ltd' was excluded from the Second Schedule to the Reserve Bank of India Act, 1934.
	24	• The Guidelines on Asset-Liability Management (ALM) System was amended and all commercial banks advised that:(a) the banks may adopt a more granular approach to measurement of liquidity risk by splitting the first time bucket (1-14 days at present) in the Statement of Structural Liquidity into three time buckets viz. Next day , 2-7 days and 8-14 days. (b) the Statement of Structural Liquidity may be compiled on best available data coverage, in due consideration of non-availability of a fully networked environment. Banks may, however, make concerted and requisite efforts to ensure coverage of 100 per cent data in a timely manner.(c) the net cumulative negative mismatches during the Next day, 2-7 days, 8-14 days and 15-28 days buckets should not exceed 5 per cent ,10 per cent, 15 per cent and 20 per cent of the cumulative cash outflows in the respective time buckets in order to recognise the cumulative impact on liquidity.(d) banks may undertake dynamic liquidity management and should prepare the Statement of Structural Liquidity on daily basis. The Statement of Structural Liquidity, may, however, be reported to the Reserve Bank, once a month, as on the third Wednesday of every month.
	30	• It was decided to increase CRR of SCBs by 50 basis points to 7.50 per cent of their demand and time liabilities with effect from the fortnight beginning November 10, 2007. • The name of 'UTI Bank Ltd' was changed to 'Axis Bank Ltd' in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from July 30, 2007.
	31	• It was decided to increase CRR of all RRBs by 50 basis points to 7.50 per cent of their demand and time liabilities with effect from the fortnight beginning November 10, 2007.

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

Announcement Date		Measures
		B) Co-operative Banks
2006		
April	13	• UCBs registered in states, which have signed MOU and those registered under the Multi-State Co-operative Societies Act, 2002 may enter into agreements with mutual funds for marketing their units subject to certain conditions, including i) the UCB should act as an agent of the customers, ii) the purchase of MF units should be at the customers' risk and without the UCB guaranteeing any assured return, iii) the UCB should not acquire such units of mutual fund from the secondary market, iv) the UCB should not buy back units of mutual funds from the customers, and v) the UCBs should ensure compliance with extant KYC/AML guidelines.
	28	• With a view to enable better customer service, UCBs were advised to undertake following limited transactions at the extension counters: i) deposit/withdrawal transactions, ii) issue and encashment of drafts and mail transfers, iii) issue and encashment of travellers' cheques, iv) collection of bills, v) advances against fixed deposits of their customers (within the sanctioning power of the concerned officials at the Extension Counter), and vi) disbursement of other loans (only for individuals) sanctioned by the Head Office / base branch up to the limit of Rs.10 lakh. • The eligibility criterion for UCBs to set up on-site/off site ATMs are specified as: i) minimum deposits of Rs.100 crore, ii) compliance with the prescribed CRAR, iii) net NPA less than 10 per cent, and iv) consistent record of profitability and compliance with CRR/SLR.
May	26	• In order to ensure transparency in banking services, the scheduled UCBs were advised to display and update, on their website, the details of various service charges in the prescribed format. UCBs were also advised to display the charges relating to certain services as prescribed in their offices/ branches. This may also be displayed in the local language.
June	1	• The risk weight on UCBs' exposure to the commercial real estate was raised to 150 per cent from 125 per cent.
	6	• StCBs and DCCBs permitted to open savings bank accounts in the names of State Government departments/bodies/agencies in respect of grants/subsidies released for implementation of various programmes/schemes sponsored by State Governments on production of an authorisation to the bank from the respective Government departments certifying that the concerned Government department or body has been permitted to open savings bank account.
	15	• The general provisioning requirement on standard advances in specific sectors, *i.e.*, personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs.20 lakh and commercial real estate loans increased to 1.0 per cent from the earlier level of 0.40 per cent. The revised norms were made applicable to Unit banks and banks having multiple branches within a single district with deposit of Rs.100 crore and above and all other UCBs operating in more than one district.
	19	• Bureau of Indian Standards (BIS) has formulated a comprehensive building Code namely National Building Code (NBC) of India 2005, providing guidelines for regulating the building construction activities across the country. The Code contains all the important aspects relevant to safe and orderly building development such as administrative regulations, development control rules and general building requirements; fire safety requirements; stipulations regarding materials, structural design and construction (including safety); and building and plumbing services. The boards of UCBs were advised to consider this aspect for incorporation in their loan policies. Similar guidelines were issued to StCBs and DCCBs on June 26, 2006.
July	11	• With a view to rationalizing the banks' investments under priority sector lending and encouraging banks to increasingly lend directly to priority sector borrowers, UCBs were directed that investments that may be made by them on or after April 1, 2007 in the bonds issued by NHB/HUDCO shall not be eligible for classification under priority sector lending.
	21	• UCBs were directed to ensure that all the farmers' loan-accounts in notified districts, which were overdue as on July 01, 2006, are rescheduled on the lines of the package of "Relief Measures to the Vidarbha Region in Maharashtra" announced by the Prime Minister and the interest thereon (as on July 01, 2006) is fully waived. Fresh finance may be ensured to such farmers.

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

Announcement Date		Measures
2007		
July	24	• Scheduled UCBs were directed to place service charges and fees on the homepage of their website at a prominent place under the title 'Service Charges and Fees' so as to facilitate easy access by the UCB customers. A complaint form, along with the name of the nodal officer for complaint redressal, may be provided in the homepage itself to facilitate complaint submission by the customers. The complaint form should also indicate that the first point for redressal of complaints is the bank itself and that complainants may approach the Banking Ombudsman only if the complaint is not resolved at the bank level within a month.
	26	• UCBs were advised not to associate themselves with internet based electronic purse schemes which are in the nature of acceptance of deposits that can be withdrawn on demand. Similar guidelines were issued to StCBs, DCCBs and RRBs on August 7, 2006.
August	11	• StCBs advised that with effect from the fortnight beginning June 24, 2006 penal interest in case of default in maintaining stipulated balances under CRR would be charged as follows: i) in cases of default in maintenance of CRR requirement on a daily basis, which is presently 70 per cent of the total Cash Reserve Ratio requirement, penal interest would be recovered for that day at the rate of three per cent per annum above the bank rate on the amount by which the amount actually maintained falls short of the prescribed minimum on that day and if the shortfall continues on the next succeeding day/s, penal interest would be recovered at a rate of five per cent per annum above the bank rate; (ii) in cases of default in maintenance of CRR on average basis during a fortnight, penal interest would be recovered as envisaged in sub-section (3) of Section 42 of Reserve Bank of India Act, 1934. Similar guidelines were issued to Scheduled Primary (Urban) Co-operative Banks on August 16, 2006.
	18	• Accounting and related aspects for 'When Issued' transactions in Central Government issued to UCBs.
September	4	• Guidelines issued to UCBs on relief measures to be extended by banks in areas affected by natural calamities.
	22	• In order to improve the quality of service available to customers in branches StCBs /DCCBs were advised to ensure that full address/telephone number of the branch is invariably mentioned in the pass books/statement of accounts issued to account holders.
	26	• UCBs were advised to furnish the data on frauds, thefts, burglaries *etc.*, in format FMR – 2, 3, and 4 on a quarterly basis to the regional offices of the Reserve Bank within 15 days of the end of the quarter to which the data relates.
October	6	• UCBs were advised to ensure that full address/telephone numbers of the branch is invariably mentioned in the Pass Books/Statement of Accounts issued to account holders.
	11	• StCBs/DCCBs were advised to invariably offer pass book facilities to all its account holders (individuals). Similar guidelines were issued to UCBs on October 16, 2006.
	17	• UCBs were advised that within the overall target for priority sector lending and the sub-target of 25 per cent for the weaker sections, sufficient care should be taken to ensure that the minority communities also receive an equitable portion of the credit. • UCBs allowed to extend individual housing loan upto the limit of Rs.25 lakh per beneficiary of a dwelling unit. However housing loans above Rs.15 lakh will not be treated as priority sector lending. The present stipulation that the amount of instalment and interest should not exceed 30 per cent of the income of the borrowers stands dispensed with.
November	13	• UCBs, other than those in Grade III and IV, registered in states which have signed MoU and those registered under Multi-State Co-operative Societies Act, 2002 will be eligible to convert the extension counters on completion of three years of their operation into full-fledged branches. The shifting/ relocation of these branches, if considered necessary by the bank, would be permitted subject to

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

Announcement Date		Measures
2006		
		the following conditions: (i) the proposal is for shifting/relocation of the converted branch within the city/town limit; (ii) banking services to the existing customers of the extension counter, including the institutional customer, are ensured; (iii) no new extension counter will be allowed in the institution in which the extension counter is housed presently.
November	22	• UCBs to strictly comply with the directive issued by the Hon'able High Court of Delhi. These directives relate to housing loans for a) building construction; b) purchase of constructed property/ built up property; c) properties which fall under category of unauthorised colonies; and d) properties meant for residential use but which the applicant intends to use for commercial purposes.
	27	• UCBs were advised that they would be eligible for AD licence, subject to compliance with the norms laid down by the Reserve Bank. It was decided not to give any fresh authorization for UCBs to function as FFMC.
December	11	• The Reserve Bank has decided to increase the CRR of the StCBs and scheduled primary (urban) co-operative banking system by one-half of one percentage point of their net demand and time liabilities (NDTL) in two stages, effective from fortnights as indicated: effective date (*i.e.*, the fortnight beginning from): CRR on net demand and time liabilities - December 23, 2006 –5.25; January 06 2007 - 5.50.
	13	• UCBs were advised that earlier instructions for payment of interest for delay in issue of duplicate Demand Draft would be applicable only in cases where the request for duplicate Demand Draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.
	18	• SCBs were advised that customers should not be compelled to drop the cheques in the drop box. Banks were also advised to display on the cheque drop box, 'Customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips'. No branch should refuse to give an acknowledgement if the customer tenders the cheque at the counters. Similar advises were issued to RRBs, StCBs and DCCBs on December 26, 2006 and to UCBs on December 28, 2006.
	26	• For mitigating the distress of farmers in the debt stressed districts of Andhra Pradesh, Karnataka and Kerala, the Union Government has approved a package which, besides other items, has a component relating to agriculture credit which includes the following: (i) the entire interest on overdue loans as on July 1, 2006 will be waived in the affected districts and all farmers will have no past interest burden as on that date, so that they will immediately be eligible for fresh loans from the banking system; (ii) the overdue loans of the farmers as on July 1, 2006 would be rescheduled over a period of 3-5 years with a one-year moratorium; and (iii) a credit flow of Rs.13,817.78 crore, Rs.3,076.20 crore and Rs.1,945.07 crore would be ensured in the above debt stressed districts of Andhra Pradesh, Karnakata and Kerala respectively in 2006-07. The burden of waiver of overdue interest would be shared equally by the State and Central Governments. While apportioning the overdue interest as above, due care should be taken to offset releases if any, already made by the State Government on this count.
	28	• UCBs were advised that their customers should not be compelled to drop cheques in the drop boxes. While the cheque drop box facility may be made available to the customers, the facility for acknowledgement of the cheques at the regular collection counters should not be denied to them. No branch should refuse to give an acknowledgement on cheques tendered by customers at their counters.
2007		
January	22	• Master Circular consolidating and updating all instructions/guidelines on Management of Advances issued to all UCBs.

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

<table>
<tr><th colspan="2">Announcement Date</th><th>Measures</th></tr>
<tr><td colspan="3">2007</td></tr>
<tr><td>February</td><td>5</td><td>• Despite instructions issued by the Reserve Bank, it has been observed that banks still continue to follow the practice of stapling of note packets. This practice, apart from damaging notes, reduces the life span of notes and renders it difficult for customers to open note packets easily. All DCCBs advised that with immediate effect to: (i) do away with stapling of any note packets and instead secure them with paper bands; (ii) sort notes into re-issuables and non-issuables and issue only clean notes to public. Soiled notes in unstapled condition may be tendered at the Reserve Bank in inward remittances through Currency Chests; and (iii)) forthwith stop writing of any kind on watermark window of bank notes.</td></tr>
<tr><td></td><td>19</td><td>• It was decided to increase the provisioning requirement in respect of the standard assets in the following categories of loans and advaces from one percent to two per cent with immediate effect in respect of unit banks and banks having multiple branches within a single district with deposit of Rs. 100 Crore and above and all other UCBs operating in more than one district: a) Personal loans b) Loans and advances qualifying as capital market exposure; and c) real estate loans (excluding residential housing loans).

The provisioning requirement for all other loans and advances, which are standard assets, including those to agriculture, SMEs and industry in general will remain unchanged. The standard asset provisioning requirements for categories of banks mentioned above, after the above changes, are summarised below. These provisions would be eligible for inclusion in Tier II capital for capital adequacy purposes to the permitted extent.

<table>
<tr><th>Sr. No.</th><th>Category of standard asset</th><th>Rate of provisioning</th></tr>
<tr><td>(a)</td><td>Direct advances to agricultural and SME sectors</td><td>0.25 %</td></tr>
<tr><td>(b)</td><td>Personal loans, loans and advances qualifying as capital market exposures, commercial real estate loans and loans and advances to systemically important NBFCs-ND.</td><td>2.00 %</td></tr>
<tr><td>(c)</td><td>All other loans and advances not included in (a) and (b) above</td><td>0.40%</td></tr>
</table>
</td></tr>
<tr><td>March</td><td>1</td><td>• All UCBs were advised that they would continue to be exempted from maintaining average CRR with effect from June 22, 2006 on the following liabilities, subject to the maintenance of statutory minimum CRR of 3 per cent on its total demand and time liabilities: (i) Liabilities to the banking system in India as computed under Clause (d) of the Explanation to Section 42 (1) of the RBI Act, 1934; and (ii) Transactions in Collateralised Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India (CCIL).

• All UCBs were advised that Government of India have notified January 9, 2007 as the date on which all the provisions, except Section 3 of the Reserve Bank of India (Amendment) Act, 2006 shall come into force.

Section 3 of Reserve Bank of India (Amendment) Act, 2006 provided for the removal of: (i) the ceiling and floor on the CRR to be prescribed by the Reserve Bank having regard to the need for securing monetary stability in the country; and (ii) the provision for interest payment on eligible CRR balances (i.e., the amount of reserves between the statutory minimum CRR and the CRR prescribed by the Reserve Bank).

1. Effective CRR maintained by UCBs on total demand and time liabilities shall not be less than 3 per cent. In exercise of the powers conferred on Reserve Bank under sub section (1) of section 42 of the Reserve Bank of India Act, 1934, all UCBs would continue to maintain a Cash Reserve Ratio of 5.75 per cent effective fortnight beginning February 17, 2007 and 6.00 per cent effective from the fortnight beginning March 3, 2007 of its total demand and time liabilities.

2. In terms of the powers conferred on the Reserve Bank under sub-Section 42(5)(c) of the Reserve Bank of India Act, 1934, banks who have breached the statutory minimum CRR level of 3 per cent during June 22, 2006 to March 2, 2007 on account of CRR exemptions reckoned for computation of demand and time liabilities for CRR would be exempt from payment of the penal interest.</td></tr>
</table>

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

<table>
<tr><th colspan="2">Announcement Date</th><th>Measures</th></tr>
<tr><td colspan="3">2007</td></tr>
<tr><td></td><td></td><td>3. The Reserve Bank would pay interest to all UCBs on the eligible CRR balances at the rate of: (a) 3.50 per cent per annum on eligible cash balances maintained with the Reserve Bank under CRR requirement from the fortnight beginning June 24, 2006 to December 8, 2006, (b) 2.0 per cent on eligible cash balances maintained with the Reserve Bank under CRR requirement from the fortnight beginning from December 9, 2006 to February 16, 2007, (c) 1.0 per cent on eligible cash balances maintained with the Reserve Bank under CRR requirement from the fortnight beginning from February 17, 2007.</td></tr>
<tr><td>March</td><td>16</td><td>• UCBs were advised to ensure that no loans were sanctioned for acquisition of/investing in Small Savings Instruments including Kisan Vikas Patras.</td></tr>
<tr><td></td><td>23</td><td>• StCBs/DCCBs were advised to ensure that no loans were sanctioned for acquisition of/investing in Small Savings Instruments including Kisan Vikas Patras.</td></tr>
<tr><td>April</td><td>4</td><td>• StCBs advised that it was decided to increase Cash Reserve Ratio (CRR) by one-half of one percentage point of their Net Demand and Time Liabilities (NDTL) in two stages, effective from the fortnights as indicated below:
<table>
<tr><th>Effective date (i.e. the fortnight beginning from)</th><th>CRR on net demand and time liabilities (per cent)</th></tr>
<tr><td>April 14, 2007</td><td>6.25</td></tr>
<tr><td>April 28, 2007</td><td>6.50</td></tr>
</table>
However, the effective CRR maintained by StCBs on total demand and time liabilities would not be less than 3.00 per cent, as stipulated under the Reserve Bank of India Act, 1934.
• With effect from the fortnight beginning on April 14, 2007, the StCBs would be paid interest at the rate of 0.50 per cent per annum on eligible cash balances maintained with the Reserve Bank of India under current CRR requirement.</td></tr>
<tr><td></td><td>5</td><td>• UCBs advised that it was decided to increase Cash Reserve Ratio (CRR) by one-half of one percentage point of their Net Demand and Time Liabilities (NDTL) in two stages, effective from the fortnights as indicated below:
<table>
<tr><th>Effective date (i.e. the fortnight beginning from)</th><th>CRR on net demand and time liabilities (per cent)</th></tr>
<tr><td>April 14, 2007</td><td>6.25</td></tr>
<tr><td>April 28, 2007</td><td>6.50</td></tr>
</table>
However, the effective CRR maintained by UCBs on total demand and time liabilities should not be less than 3.00 per cent, as stipulated under the Reserve Bank of India Act, 1934. With effect from the fortnight beginning on April 14, 2007, the UCBs would be paid interest at the rate of 0.50 per cent per annum on eligible cash balances maintained with the Reserve Bank under current CRR requirement.</td></tr>
<tr><td></td><td>9</td><td>• StCBs were advised to ensure that cheques/drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them</td></tr>
<tr><td></td><td>12</td><td>• StCBs and DCCBs were advised to generally insist that the person opening a deposit account makes a nomination. In case the person opening an account declined to fill in nomination, the bank should explain the advantages of nomination facility. If the person opening the account still did not want to nominate, the bank should ask him to give a specific letter to the effect that he does not want to make a nomination. In case the person opening the account declined to give such a letter, the bank should record the fact on the account opening form and proceed with opening of the account, if otherwise found eligible. Under no circumstances, a bank should refuse to open an account solely on the ground that the person opening the account refused to nominate.</td></tr>
</table>

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

Announcement Date		Measures
2007		
April	17	• UCBs were advised to ensure that cheques/drafts issued by clients containing fractions of a rupee are not rejected or dishonoured by them.
	18	• UCBs were advised that the Government of India had enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006, which was notified on October 2, 2006. The definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services was modified and was required to be implemented by the banks alongwith other policy measures with immediate effect. Bank's lending to medium enterprises, where investment in equipment is more than Rs.2 crore but does not exceed Rs.5 core will not be included for the purpose of reckoning under the priority sector
	19	• UCBs were advised to generally insist that the person opening a deposit account makes a nomination. In case the person opening an account declined to fill in nomination, the bank should explain the advantages of nomination facility. If the person opening the account still did not want to nominate, the bank should ask him to give a specific letter to the effect that he does not want to make a nomination. In case the person opening the account declined to give such a letter, the bank should record the fact on the account opening form and proceed with opening of the account, if otherwise found eligible. Under no circumstances, a bank should refuse to open an account solely on the ground that the person opening the account refused to nominate.
	24	• StCBs were advised that they would be exempted from maintaining average CRR with effect from April 01, 2007 on the following liabilities as computed under section 42 of the RBI Act, 1934. (i) Liabilities to the banking system in India as computed under Clause (e) of the Explanation to Section 42 (1) of the RBI Act, 1934; (ii) Transactions in Collateralized Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India. (CCIL). • GoI in their Extraordinary Gazette notification No.S.O.337(E) dated March 9, 2007 notified April 01, 2007 as the date on which the provisions of Section 3 of the Reserve Bank of India (Amendment) Act, 2006 came into force. Consequent upon the provisions of Section 3 of the RBI (Amendment) Act, 2006 coming into force, the amendment carried out to sub-Section (1) of Section 42 of Reserve Bank of India Act, 1934 was brought into force with effect from April 01, 2007. Accordingly, the statutory minimum CRR requirement of 3 per cent of total demand and time liabilities no longer existed with effect from the said notified date. The Reserve Bank having regard to the needs of securing the monetary stability in the country, may from time to time prescribe the CRR for UCBs without any floor and ceiling rate. (2) In exercise of the powers conferred on the Reserve Bank, it was decided to continue the status quo on the rate of CRR to be maintained by UCBs and the extant exemptions which would be operative till further changes are notified. Accordingly, UCBs would continue to maintain CRR on their total demand and time liabilities. Effective date (*i.e.* the fortnight beginning from) — CRR on net demand and time liabilities (per cent) April 14, 2007 — 6.25 April 28, 2007 — 6.50 In view of Section 3 of the Reserve Bank of India (Amendment) Act, 2006 coming into force, sub-section (1B) of Section 42 of the Reserve Bank of India Act, 1934 stands omitted with effect from April 01, 2007. Consistent with the amendment it was decided that with effect from the fortnight beginning March 31, 2007, the Reserve Bank would not be paying any interest on the CRR balances maintained by UCBs.
	30	• UCBs were advised that the risk weight on loans up to Rs.1 lakh against gold and silver ornaments was reduced to 50 per cent from the existing level of 125 per cent with immediate effect. • Relaxed prudential guidelines on income recognition, asset classification and provisioning norms for UCBs extended by one year.
May	4	• UCBs were advised to ensure that no money transaction of the company/ies, declared as "defaulted companies" by the Patna High Court be allowed in the bank. Accordingly, all branches may be advised in this regard immediately and the compliance of the order be reported.

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

Announcement Date		Measures
2007		
May	4	• UCBs advised that the risk weight on the residential housing loans to individuals was reduced from the existing 75 per cent to 50 per cent as a temporary measure which would be applicable for loans up to Rs.20 lakh and would be reviewed after one year, keeping in view the default experience and other relevant factors.
	16	• StCBs/DCCBs were advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances.
	18	• UCBs were advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances. • StCBs/DCCBs were urged to scale up their financial inclusion efforts by utilizing appropriate technology. Care should be taken to ensure that the solutions developed were: highly secure; amenable to audit; and followed widely accepted open standards to allow inter-operability among the different systems adopted by different banks. • Fresh guidelines issued to StCBs/DCCBs on various issues relating to extension of Safe Deposit Locker/Safe Custody Article Facility and Access to Safe Deposit Lockers / Return of Safe Custody Articles by banks.
	24	• The Reserve Bank directed that all scheduled UCBs comply with the amended Banking Ombudsman Scheme, 2006.
June	21	• UCBs were advised that fresh guidelines were issued in regard to Extension of safe deposit locker/ safe custody article facility and access to safe deposit lockers / return of safe custody articles by banks.
July	13	• UCBs were advised that they were (i) prohibited from extending any fund based or non fund based credit facilities whether secured or unsecured to stockbrokers. The prohibition would cover in addition to shares and debentures, loans and advances against other securities, such as fixed deposits, LIC policies, *etc*., (ii) UCBs were not permitted to extend any facility to commodity brokers. This included issue of guarantees on their behalf. (iii) Advances against units of mutual funds could be extended only to individuals as in the case of advances against the security of shares, debentures and bonds. Any credit facility presently in force, but not in consonance with the above instructions should be withdrawn /closed without any delay. A compliance report in this regard should submitted to the regional office concerned. • UCBs were advised that the matter of amortization of goodwill on merger was reviewed were advised as follows: (i) Where the consideration, if any, paid for the acquisition/amalgamation exceeds the book value of the net assets taken over, the excess amount should be treated as goodwill and amortized over a period of five years in equal installments; (ii) Where no consideration is paid but the book value of the assets is less than the book value of liabilities taken over, the excess of the book value of liabilities over the book value of the assets taken over will be considered as goodwill and amortized over a period of five years in equal installments; and (iii) Where no consideration is paid, but the book value of the assets taken over is greater than the book value of the liabilities taken over, the excess of the book value of assets over the book value of the liabilities will be considered as Capital Reserve. • Guidelines were issued to UCBs for issuance of ATM-cum-Debit Cards. Banks which were authorised to install on-site/off-site ATMs, could introduce ATM-cum-Debit cards with the approval of their Board. Issuance of offline debit card was however, not permitted. Concerned Regional Office of the Reserve Bank should be advised about the details of the ATM-cum-debit cards introduced together with a copy each of the agenda note put up to their Board and the resolution passed thereon. UCBs should not issue ATM-cum- debit cards in tie-up with other non-bank entities. UCBs were to review operations of these cards and put up review notes to their Boards at half yearly intervals, at the end of March and September, every year. A report on the operations of these cards issued by banks should be forwarded to the Reserve Bank, on a half yearly basis, at the end of March and September every year.

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

Announcement Date		Measures
2007		
July	17	• UCBs holding AD category I or II licence could act as agents/sub-agents under Money Transfer Service Schemes (MTSS) which was in conformity with the guidelines issued by Foreign Exchange Department (FED), subject to the following conditions: (i) Bank's adherence to AML/KYC standards should be satisfactory; (ii) The principal should maintain foreign currency deposits (USD) with the designated bank in favour of the agent which, at present, is equivalent to 3 days' average payout or USD 50,000, whichever is higher; (iii) Where the UCB is acting as a sub-agent, the agent should also maintain with the designated bank, security deposits equivalent to 3 days' average payout or Rs 20 lakh, whichever is higher, in favour of the UCB sub-agents concerned; (iv) The UCBs should ensure that the payouts not reimbursed do not, at any point of time, exceed the security deposits placed by the overseas principal /agent, as the case may be; (v) No UCB could appoint any other UCB/entity as its sub-agent.
August	14	• All Scheduled UCBs were guided about the notification issued by the Ministry of Consumer Affairs, Food and Public Distribution in regard to creation of buffer stock. As per the GoI notification, the Government has decided to create a buffer stock of 20 lakh tons of sugar for a period of one year with effect from May 1, 2007. Under the arrangement, the Government will release subsidy of Rs.378 crore out of Sugar Development Fund and the banks have to sanction additional credit limit amounting to Rs.420 crore to release the margin consequent upon creation of the buffer stock from the existing stock of sugar. For operation of the Scheme, it would be necessary for sugar mills to segregate the stocks meant for buffer stock operations from the stock of sugar already held by them. The banks should allocate out of the regular limits, separate sub-limits representing 100 per cent value of buffer stocks held by sugar mills. The amount released as a result of providing 100 per cent drawings against buffer stocks, *i.e.*, the amount in *lieu* of the margin money should be credited to a special account. It would be necessary for the banks to ensure that the amount available in this account is utilised for making cane payments.
	28	• All UCBs were advised that the Bank has decided to consider their requests to shift their branches from one city to another in their area of operation within the same State subject to the following conditions – (i) The new centre is of the same or lower population group as the existing centre, *e.g.*, a branch at a 'D' centre can be shifted to another 'D' centre only; (ii) A branch located in underbanked district can be shifted to another centre in underbanked district only; and (iii) The shifting should be beneficial to the bank in terms of cost and business.
	30	• All UCBs were advised to issue necessary instructions to their controlling offices, branch offices advising them to specially monitor the credit flow to minorities in the specified 121 minority concentrated districts thereby ensuring that the minority communities receive an equitable portion of the credit within the overall target of the priority sector. The above requirement should be kept in view for the purpose of earmarking of targets and location of development projects under the 'Prime Ministers New 15 Point Programme for the Welfare of the Minorities'. • All UCBs were advised the revised guidelines on lending to priority Sector, which take into account the revised definition of small and micro enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.
September	13	• All Primary UCBs were advised to ensure that loan facilities are utilised by borrowers for the purpose sanctioned. Banks should therefore have a mechanism for proper monitoring of the end use of funds. Wherever diversion is observed, they should take appropriate action against the borrowers concerned and the steps needed to protect the bank's interest. The bank may put in place more stringent safeguards, especially where accounts shows sign of turning into NPAs. In such cases banks may strengthen their monitoring system by resorting to more frequent inspections of borrowers' godowns, ensuring that sale proceeds are routed through the borrower's accounts maintained with the bank and insisting on pledge of the stock in place of hypothecation. Whenever stocks under hypothecation to cash credit and other loan accounts are found to have been sold but the proceeds thereof not credited to the loan account, such action should normally be treated as a fraud. In such cases, banks may take immediate steps to secure the remaining stock so as to prevent further erosion in the value of the available security; as also other action as warranted.
	18	• All Salary Earner Primary UCBs were advised that it has been decided not to insist upon induction of two professional directors on the Boards of Salary Earners Banks.

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

Announcement Date		Measures
2007		
September	18	• All Primary UCBs were advised that in order to allow UCBs greater flexibility in making non-SLR investments, these investments would be governed by the following guidelines henceforth: (i) Non-SLR investments will continue to be limited to 10 per cent of a bank's total deposits as on March 31 of the previous year; (ii) Investments will be limited to "A" or equivalent rated Commercial Papers (CPs), debentures and bonds that are redeemable in nature. Investments in perpetual debt instruments are, however, not permitted; (iii) Investments in unlisted securities should not exceed 10 per cent of the total Non-SLR investments at any time. Where banks have already exceeded the said limit, no incremental investment in such securities will be permitted; (iv) Investments in units of mutual funds, except debt mutual funds and money market mutual funds, will not be permitted. The existing holding in units of other than debt mutual funds and money market mutual funds, including those in UTI should be disinvested. Till such time that they are held in the books of the bank, they will be reckoned as Non-SLR investments for the purpose of the limit at (i) above; (v) Fresh investments in shares of All India Financial Institutions (AIFIs) will also not be permitted. The existing share holding in these institutions may be phased out and till such time they are held in the books of the bank, they will be reckoned as non-SLR investments for the purpose of the limit at (i) above; (vi) All fresh investments under non-SLR category should be classified under Held for Trading (HFT)/Available for Sale (AFS) categories only and marked to market as applicable to these categories of investments; (vii) Balances held in deposit accounts with commercial banks and in permitted scheduled UCBs and investments in certificate of deposits issued by commercial banks will be outside the limit of 10 per cent of total deposits prescribed for non-SLR investments (viii) The total amount of funds placed as inter-bank deposits (for all purposes including clearing, remittance, *etc.*) shall not exceed 10 per cent of the DTL of a UCB as on March 31 of the previous year. The prudential inter-bank exposure limit of 10 per cent of the DTL would be all-inclusive and not limited to inter-bank call and notice money. The only exception is made for Tier I UCBs, which may place deposits up to 15 per cent of their NDTL with public sector banks over and above the said prudential limit of 10 per cent of NDTL; (ix) Exposure to any single bank should not exceed 2 per cent of the depositing bank's DTL as on March 31 of the previous year, inclusive of its total non- SLR investments and deposits placed with that bank. Deposits, if any, placed for availing CSGL facility, currency chest facility and non-fund; based facilities like Bank Guarantee (BG), Letter of Credit (LC) would be excluded to determine the single bank exposure limit for this purpose; (x) All investments as above, barring deposits placed with banks for which prudential limits have been prescribed at (ix) above, will be subject to the prescribed prudential individual /group exposure limits; (xi) All investments, other than those Ps and CDs, shall be in instruments with an original maturity of at least one year; (xii) The non-scheduled primary (urban) co-operative banks, having single; branch-cum-head-office or having multiple branches within a single district, having a deposit base of Rs.100 crore or less have been exempted from maintaining SLR in prescribed assets up to 15 per cent of their DTL on keeping the required amount, in interest bearing deposits, with State Bank of India and its subsidiary banks and the public sector banks including Industrial Development Bank of India Ltd., in terms of Bank's circular dated February 17, 2006. Such deposits are not covered under these guidelines and the limits prescribed at (vii) above are exclusive of such deposits.
	20	• All Primary (Urban) Co-operative Banks were advised that when a UCB has availed a loan from a DCCB/StCB with which it is maintaining deposits, the amount of loan availed from the DCCB/StCB would be deducted from the deposits irrespective of whether lien has been marked on such deposits or not, for the purpose of computation of SLR. UCBs are given a period of six months to comply with the SLR requirements in case of shortfall, if any, arising from the above instructions.
		C) Financial Institutions
2006		
March	6	• All FIs were advised that loan application forms in respect of priority sector advances for all categories of loans irrespective of the amount of loan sought by the borrower should be comprehensive and should include information about the fees/charges, if any, payable for processing, the amount of such fees refundable in the case of non-acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so that a meaningful comparison with that of other banks could be made and informed decision could be taken by the borrower. FIs were advised that in case of all categories of loans irrespective of any threshold limits, including credit card applications, the lenders should convey in writing, within stipulated time, the main reason/ reasons which, in the opinion of the bank / FI have led to rejection of the loan applications.

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

Announcement Date		Measures
2006		
May	16	• In partial modification of the earlier guidelines on purchase/sale of NPAs dated July 13, 2005, AIFIs were advised that at least 10 per cent of the estimated cash flows should be realised in the first year and at least 5 per cent in each half year thereafter, subject to full recovery within three years. The revised guidelines came into force with immediate effect.
		D) Non-Banking Financial Companies (NBFCs)
2006		
April	5	• Certain changes were made in the format of monthly return to be submitted by the NBFCs not accepting/holding public deposits and having assets size of Rs.100 crore and above to include parameters such as cumulative position in Profit and Loss Account, age-wise break up of NPAs, highest outstanding balance of working capital, certain additional information on capital market exposure of the company and foreign sources of funds. • NBFCs, MNBCs and RNBCs to go through the provisions of Prevention of Money Laundering Act (PMLA), 2002 and the Rules notified there under on July 1, 2005 and take all steps considered necessary to ensure compliance. The Rules include, maintenance of records of transactions, preservation of information and reporting to financial intelligence unit-India.
September	20	• While calculating the aggregate of funded exposure of a borrower for the purpose of assignment of risk weight, NBFCs may 'net-off' against the total outstanding exposure to the borrower advances standardized by cash margins/security deposits/caution money against which right to set off is available. • Securitisation Companies or Reconstruction Companies should invest in security receipts an amount not less than 5 per cent issued under each scheme with immediate effect. In the case of Securitisation Companies or Reconstruction Companies, which have already issued the security receipts, such companies shall achieve the minimum subscription limit in security receipts under each scheme, within a period of six months from the date of Notification issued in this regard.
	21	• The NBFCs were advised to submit a certificate from their Statutory Auditors every year to the effect that they continue to undertake the business of NBFI requiring holding of CoR under Section 45-IA of the RBI Act, 1934. It was clarified vide circular dated October 19, 2006 that for this purpose, the definition of Principle Business as given vide Press Release 1998-99/1269 dated April 8, 1999 may be followed.
	28	• NBFCs were issued comprehensive instructions under Sec 45 of RBI Act, 1934 to frame broad guidelines on fair practice code approved by their Board of Directors and the same should be published and disseminated on the web-site of the company for information of the public.
October	19	• The Securitisation Companies or Reconstruction Companies were advised to commence business within six months from the date of grant of Certificate of Registration. The Bank may, on an application made by the Securitisation Company or Reconstruction Company, grant extension of time for commencement of business beyond six months, on merits, but in no case, such extension of time shall exceed 12 months from the date of grant of Certificate of Registration. Those Securitisation Companies or Reconstruction Companies which have already obtained a Certificate of Registration from the Bank under Section 3 of the Act, ibid, and not commenced business till date, shall commence business within a period of six months from the date of the Notification.
	27	• It has been clarified that prior public notice about change in control / management should be given by the NBFC and also by the transferor or the transferee or jointly by the parties concerned.
December	4	• NBFCs registered with the Reserve Bank allowed, selectively, issuing co-branded credit cards to SCBs without risk sharing, with prior approval of the Reserve Bank for an initial period of 2 years to be reviewed thereafter. The NBFC under the tie-up arrangement should be limited only to marketing and distribution of the co-branded credit cards. The co-branded credit card issuing bank would be subject to all the instructions/guidelines issued by its concerned regulatory authority.

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

Announcement Date		Measures
2006		
December	4	• In order to strengthen the NBFC sector by allowing diversification in their area of business, it was decided to allow NBFCs, selectively, to market and distribute mutual fund products as agents of mutual funds, with prior approval of Reserve Bank, for an initial period of two years and a review thereafter. NBFCs fulfilling the minimum prescribed requirements are eligible to apply.
	6	• NBFCs were re-classified by the Reserve Bank as Asset Refinance Company, Investment Company and Loan Company. Companies financing real/physical assets for productive/economic activity would be classified as Asset Finance Compnay (AFC). The remaining companies would continue to be classified as loan/investment companies. Accordingly, the classification in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1988 was modified.
	12	• In the light of the concerns arising out of the divergent regulatory requirements for various aspects of functioning of banks and NBFCs the modifications were made in the regulatory framework for Systemically Important non-deposit taking NBFCs (NBFCs-ND-SI). All NBFCs – ND with asset size of Rs. 100 crore and above as per the last audited balance sheet will be considered as a systemically important NBFC – ND. Such companies have been advised to maintain a minimum CRAR of 10 % and single party / group exposure norms have been prescribed for them.
	28	• UCBs/StCBs/DCCBs were advised that customer should not be compelled to drop the cheques in the drop box. Banks were also advised to display on the cheque drop box, 'Customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips'. No branch should refuse to give an acknowledgement if the customer tenders the cheque at the counters.
2007		
January	4	• NBFCs accepting/holding public deposits were advised earlier to create floating charge on the statutory liquid assets invested in terms of Section 45-IB of the RBI Act, 1934, in favour of their depositors. In view of the practical difficulties expressed by the NBFCs in creating charge on the statutory liquid assets in favour of a large number of depositors, it was decided in January 2007 that NBFCs accepting / holding public deposits may create the floating charge on the statutory liquid assets, in favour of their depositors, through the mechanism of 'Trust Deed'. • In the light of the fact that Ministry of Corporarte Affairs has taken over the entire regulation of Mutual Benefit Financial Companies (Notified Nidhis) and Mutual Benefit Companies (Potential Nidhis), the position regarding submission of Annual Returns by MBFCs and MBCs was reviewed. It was decided not to call for Annual Return in First Schedule, audited balance sheet and profit and loss account, auditor's certificate and other particulars as contained in paragraph 8 of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 from MBFCs and MBCs.
February	19	• The provisioning requirement for loans and advances in the standard assets category to Non-Deposit Taking Systemically Important Non-Banking Finance Companies (NBFC- ND -SI) has been increased from 0.40 per cent at present to two per cent with immediate effect. A Non-Deposit taking NBFC with an asset size of Rs.100 crore or above as per the last audited balance sheet is considered as a NBFC-ND-SI. The risk weight for all exposures to NBFC-ND-SI has been increased to 125 per cent from the present level of 100 per cent with immediate effect. Sr. No. | Category of standard asset | Rate of provisioning (a) | Personal loans, loans and advances qualifying as capital market exposures, commercial real estate loans and loans and advances to systemically important NBFCs-ND. | 2.00 %
	22	• Two sets of Prudential Norms Directions *i.e.*, Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 for deposit taking NBFCs and Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 for non-deposit taking NBFCs were issued. Further, all deposit taking NBFCs and RNBCs with total assets of Rs. 100 crore and above were advised to submit the monthly return on Capital Market Exposure in the prescribed format with effect from April 2007. Earlier deposit taking NBFCs with deposits of Rs 50 crore and above were submitting return on Capital Market Exposure.

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

Announcement Date		Measures
2007		
February	22	• All NBFCs and RNBCs with total assets of Rs.100 crore and above should submit the return in the prescribed format (NBS 6) on a monthly basis within seven days of the close of the month to which it relates. NBFCs with deposits of Rs 50 crore and above may continue to submit return on Capital Market Exposure as hitherto being submitted, till the month ending March 31, 2007, thereafter revised instructions will be applicable.
	23	• NBFCs were advised to consider a quick scrutiny of the accounts on whom they have large exposure and confirm to themselves that funds have not been diverted for procurement of food grains with a view to hoarding.
April	4	• NBFCs were advised to include in their advertisements issued in print or electronic media (including web-sites) or statement in lieu of advertisement (SILA), a statement regarding their Certificate of Registration, *etc*. It was possible that the advertisement released by NBFCs accepting deposits purely for promoting its business would attract deposits. To ensure transparency in the interest of depositors in the context of such advertisements and draw attention of the depositors to the above provision, it was proposed to incorporate suitable provision in Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998. The NBFCs should incorporate following caption in advertisement. (i) As regards deposit taking activity of the company, the viewers may refer to the advertisement in the newspaper/information furnished in the application form for soliciting public deposits; (ii) The company is having a valid Certificate of Registration dated ___ issued by the Reserve Bank of India under section 45-IA of the Reserve Bank of India Act, 1934. However, the Reserve Bank of India does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of the liabilities by the company.
	24	• In view the prevailing interest rates in the entire financial system, the maximum interest rate payable on public deposits by NBFCs would be revised to 12.5 per cent per annum on and from April 24, 2007. This would be the maximum permissible rate an NBFC could pay on its public deposits and they could offer lower rates. The new rate of interest would be applicable to fresh public deposits and renewals of matured public deposits. The ceiling rate of interest of 12.5 per cent per annum was also applicable to the deposits accepted/renewed by Miscellaneous Non-Banking Companies (chit fund companies) as per the directions prescribed by the Reserve Bank.
	25	• The Securitisation Companies / Reconstruction Companies registered with the Bank were advised to submit quarterly statement in the formats SCRC 1 (statement on Assets acquired, securitized and reconstructed) and SCRC 2 (statement on Assets acquired, securitized and reconstructed-Bank-wise), within 15 days of the close of the quarter to which it pertains. The first such statement was to be forwarded for the quarter ending March 31, 2007.
	27	• Systemically Important NBFCs – ND were advised to put in place a system for submission of an annual statement of capital funds, risk asset ratio, *etc*., as at end of March every year in form NBS-7. The first such return would be submitted for the year ending March 31, 2007. The return would be submitted within a period of three months from the close of the financial year, every year. Such returns could be submitted electronically and for the purpose, NBFC-ND-SI could approach the Information Division of Central Office of Department of Non-Banking Supervision for assignment of user-id and password for web-enabled submission of the return. A hard copy of the return duly signed by the designated authority could be filed with the Regional Office of the Department of Non-Banking Supervision in whose jurisdiction the company is registered.
May	8	• Corporate governance is the key to protecting the interests of the stake-holders in the corporate sector. In order to enable NBFCs to adopt best practices and ensure greater transparency in their operations, guidelines were proposed on May 8, 2007 for consideration of the boards of directors of all deposit taking NBFCs with deposit size of Rs.20 crore and above, and all non-deposit taking NBFCs with-asset size of Rs.100 crore and above (NBFCs-ND-Sl). The guidelines relate to constitution of audit, nomination and risk management committees, 'disclosure and transparency and connected lending relationship.

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

Announcement Date		Measures
2007		
May	16	• In partial modification of the earlier guidelines on purchase/sale of NPAs dated July 13, 2005, NBFCs (including RNBCs) were advised that at least 10 per cent of the estimated cash flows should be realised in the first year and at least 5 per cent in each half year thereafter, subject to full recovery within three years. The revised guidelines came into force with immediate effect.
	21	• Draft guidelines on requirement of minimum Net Owned Fund (NOF) of Rs.200 lakh for all public deposit taking NBFCs – under Section 45-IA of the Reserve Bank of India Act, 1934 issued.
	24	• In view of several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFCs, NBFCs have been advised to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges, even though interest rates are not regulated by the Bank. NBFCs have been advised to keep in view the guidelines on Fair Practice Code about transparency in respect of terms and conditions of the loan.
	25	• In order to widen the reach of NDS-OM, access was extended to qualified entities maintaining gilt accounts with NDS members. 'Qualified' entities would cover all entities required by law or by regulation to invest in Government Securities such as deposit taking NBFCs, Provident Funds, Pension Funds, Mutual Funds, Insurance Companies, Co-operative Banks, Regional Rural Banks and Trusts, *etc*. These entities could place orders on NDS-OM through direct NDS-OM members, *viz*., banks and PDs using the CSGL route. Such trades would settle through the CSGL account and current account of the NDS-OM member. Though the system would permit putting through CSGL trades on behalf of all gilt account holders, it would be the responsibility of the respective custodians (CSGL Account holders) to exercise caution not to permit any trade on account of entities that were not 'qualified'. They should, evolve a mechanism to ensure that the gilt account holder satisfies the eligibility criteria before allowing orders to be placed on NDS-OM.
	28	• Guidelines on Declaration of Net Asset Value of Security Receipts issued by SC/RC was issued and Securitisation Companies / Reconstruction Companies registered with the Bank were advised to declare Net Asset Value of the Security Receipts issued by them, at periodic intervals so that the Qualified Institutional Buyers (QIBs) can value their investment in SRs issued by the SC/RC in accordance with the applicable guidelines.
July	2	• Updated guidelines and directions to securitisation companies and reconstruction companies, as on June 30, 2007 together with guidance notes issued.
	11	• Guidelines on Corporate Governance were issued to NBFCs vide circular dated May 8, 2007. In view of the suggestions received from various NBFCs / association of NBFCs, the instructions contained in paragraph 2(vi) of the circular relating to connected lending have been kept in abeyance and will become operational after final evaluation of the suggestions and modifications, if any, considered necessary. NBFCs have been suitably advised in this regard.
	31	• SEBI has permitted FIMMDA to set up its reporting platform for corporate bonds. It has also been mandated to aggregate the trades reported on its platform as well as those reported on BSE and NSE with appropriate value addition. FIMMDA proposed to go live with its platform from September 01, 2007. All NBFCs are required to report their secondary market transactions in corporate bonds in OTC market, on FIMMDA's reporting platform with effect from September 01, 2007. Detailed operational guidelines in this regard would be issued by FIMMDA.
September	4	• NBFCs were advised vide Company Circular 59 dated October 26, 2005 that in cases where the amount involved in fraud is Rs 25 lakhs and above FMR-1 shall be submitted to Fraud Monitoring Cell, DBS, CO only. NBFCs were advised vide company circular dated September 4, 2007 that a copy of FMR-1 where the amount involved in the fraud is Rs 25 lakhs and above should also be submitted to the Regional Office of the Department of Non-Banking Supervision of Reserve Bank of India under whose jurisdiction the Registered Office of the NBFC falls. Further, it was advised that the Quarterly return in form FMR-3 has been rechristened as 'Quarterly Progress Report on Fraud of Rs 1.00 lakh and above.

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

Announcement Date		Measures
2007		
October	10	• Guidelines were issued to NBFCs (including RNBCs) on September 28, 2006 for framing the Fair Practices Code in which it was prescribed under 'Loan appraisal and terms/conditions', that the NBFCs should convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. In this connection, NBFCs were advised to invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.
		E) Primary Dealers (PDs)
2006		
April	4	• Guidelines were issued on Revised Scheme of Underwriting Commitment and Liquidity Support for PDs and banks undertaking PD business departmentally in line with the recommendations of the internal Technical Group on Central Government Securities Market. Following the discontinuance of bidding commitment as one of the obligations of the PDs, the methodology for calculating limits for PDs under the Reserve Bank's Liquidity Support Scheme was also revised.
May	3	• Guidelines issued permitting stand-alone PDs to diversify their activities in addition to existing business of Government securities, subject to limits. It was decided that PDs will not be permitted to set up step-down subsidiaries. PDs that already had step-down subsidiaries (in India or abroad) were advised to restructure the ownership pattern of these subsidiaries. • Guidelines issued permitting NDS-OM members to enter into 'When Issued' transactions in Central Government Securities.
July	4	• Guidelines were issued permitting stand-alone PDs to diversify their activities, as considered appropriate, in addition to existing business of Government securities, subject to limits. It was decided that PDs will not be permitted to set up step-down subsidiaries. PDs that already had step-down subsidiaries (in India or abroad) were advised to restructure the ownership pattern of these subsidiaries.
October	5	• Operational guidelines issued for banks undertaking/proposing to undertake PD business.
	31	• PDs advised that the fixed repo rate under LAF has been revised to 7.25 per cent. Accordingly, the Standing Liquidity Facilities provided to PDs from the Reseve Bank would be available at repo rate, *i.e.*, 7.25 per cent with immediate effect.
2007		
January	31	• As a part of the phased implementation of short sale in Government Securities market, it was decided to expand the period of maintenance of short sale beyond the trading day.
March	30	• PDs were advised the following modifications in the LAF sub-module of the PDO-NDS effective from April 3, 2007. 1. The PDO-NDS would now enable SCBs and Primary Dealers to offer SDLs as eligible securities to the Reserve Bank under the LAF-Repos. A margin of 10 per cent would be applied in respect of SDLs *i.e.* a Repo bid for Rs.100 will have to be backed by Rs.110 (face value) of SDLs. In case a member offers a combination of Central Government Securities/Treasury Bills and SDLs, the availability of Central Government Securities and Treasury Bills in the RC SGL Account will be reckoned first (with margin of 5 per cent) and thereafter the residual amount met with the SDLs available in the RC SGL Account (with margin of 10 per cent). 2. The transfer of securities from the SGL Account to the RC SGL account and *vice-versa* could now be made by the member through RC Transfer or RC Withdrawal (under Transfer Order Booking functionality) in the LAF module without obtaining the approval of PAD (Securities Section). In view of this, members were not required to fax the physical SGL Form to PAD (Securities Section) for effecting RC Transfer or RC Withdrawal. However, the balance available in the RC SGL account could not be utilised for any transaction other than LAF, as hitherto.

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

Announcement Date		Measures
2007		
		3. Members having insufficient securities in the RC SGL account for the ready leg of a repo transaction would now receive a message on PDO-NDS alerting them about the shortfall. The shortfall would have to be replenished within 15 minutes of the bid close time, failing which the bids would be liable for rejection.
March	30	• PDs were advised that the fixed repo rate under the LAF was revised to 7.75 per cent with effect from March 31, 2007. Accordingly, the Standing Liquidity Facilities provided to Banks (export credit refinance) and Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the repo rate *i.e.* at 7.75 per cent with effect from March 31, 2007. • PDs were advised that the fixed repo rate under the Liquidity Adjustment Facility (LAF) has been increased by 25 basis points to 7.75 per cent from 7.50 per cent, with effect from March 31, 2007. The reverse repo rate under LAF remained unchanged at 6.0 per cent.
May	16	• PDs were permitted to begin transacting in single-entity credit default swaps. The proposed guidelines for implementation as a first draft for comments and feedback from various stake holders were also circulated.
	25	• In order to widen the reach of NDS-OM, access was extended to qualified entities maintaining gilt accounts with NDS members.
July	31	• All PDs were advised that the ceiling of Rs. 3,000 crore on daily reverse repo under the LAF was withdrawn with effect from August 6, 2007. The Second LAF (SLAF) introduced on November 28, 2005 and conducted between 3.00-3.45 p.m. on a daily basis was withdrawn w.e.f. August 6, 2007. The Bank would continue to conduct LAF operations between 9.30 am and 10.30 am as a single LAF window. • All PDs were advised to report their secondary market transactions in Corporate bonds done in the OTC market, on FIMMDA's reporting platform effective September 01,2007.
August	23	• Banks and PDs advised to report all their IRS/FRS trades on the reporting platform developed by Clearing Corporation of India Limited (CCIL) to capture the transactions in the OTC interest rate derivatives.