

Press Releases

October 2010

Surrendering Certificate of Authorisation

October 1, 2010

The TimesofMoney Ltd., 4th Floor, Times Tower Kamala Mills Compound, Senapati Bapat Marg, Lower Parel (West), Mumbai-400013 has, on September 23, 2010, voluntarily surrendered the Certificate of Authorisation given by the Reserve Bank of India. The Reserve Bank of India had, on April 05, 2010, issued Certificate of Authorisation (34/2010) to the TimesofMoney Ltd. under the Payment and Settlement Systems Act, 2007 for operating Payment System for issuance of Pre-paid Payment Instruments.

Working Group on Operating Procedure of Monetary Policy

October 4, 2010

In pursuance of the announcement made in the First Quarter Review of Monetary Policy for 2010-11, the Reserve Bank has constituted a Working Group to review the current operating procedure of monetary policy in India, including Liquidity Adjustment Facility (LAF).

The terms of reference of the Working Group finalised in the light of comments received in response to the Reserve Bank's press release of September 13, 2010 are:

- (i) to survey the operating procedures of major central banks;
- (ii) to review the current operating procedure of monetary policy in India, in particular, the Liquidity Adjustment Facility (LAF);

(iii) to examine the operation of the LAF with regard to:

- a. the width of the corridor
- b. the frequency and timing of auctions
- c. the maturity period of repo and reverse repo operations;

(iv) to assess the role of the Bank Rate;

(v) to examine the role of standing facilities such as the export credit refinance; and

(vi) to suggest changes to the current operating procedure of monetary policy in India in the light of international practices and domestic experience, with particular reference to:

- a) whether there should be a corridor at all
- b) if so, whether its width should be fixed or variable under specified conditions
- c) if so, what instruments/mechanisms may be necessary to enable the corridor to function efficiently.

It was indicated in the Press Release of September 13, 2010 that the Working Group would be chaired by Shri Deepak Mohanty, Executive Director, Reserve Bank of India and will have representations from Indian Banks' Association (IBA), Fixed Income Money Market and Derivatives Association of India (FIMMDA) and concerned departments of the Reserve Bank. The Group would also include external experts.

Accordingly, the constitution of the Working Group will be as follows:

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|-------|--|----------|
| i) | Shri Deepak Mohanty
Executive Director
Reserve Bank of India | Chairman |
| ii) | Professor Ashima Goyal
Indira Gandhi Institute
of Development Research
(IGIDR) | Member |
| ii) | Shri B.Mahapatra
Chief General
Manager-in-Charge
Department of Banking
Operations and Development
Reserve Bank of India | Member |
| iii) | Dr. Janak Raj
Adviser-in-Charge
Monetary Policy Department
Reserve Bank of India | Member |
| iv) | Shri K.K.Vohra
Chief General Manager
Internal Debt Management
Department
Reserve Bank of India | Member |
| v) | Shri P.Krishnamurthy
Chief General Manager
Financial Markets Department
Reserve Bank of India | Member |
| vi) | Representative of Indian
Banks' Association (IBA) | Member |
| vii) | Shri Saugata Bhattacharya
Senior Vice President and
Chief Economist, Axis Bank | Member |
| viii) | Ms. Shilpa Kumar
Chairperson
Fixed Income Money Market
and Derivatives Association
of India (FIMMDA) | Member |

ix) Shri Amitava Sardar Member-
Adviser Secretary
Monetary Policy Department
Reserve Bank of India

The secretarial support to the Working Group would be provided by the Monetary Policy Department (MPD) of the Reserve Bank of India.

The Working Group is expected to submit its Report within three months from the date of its first meeting.

Investment by FIIs under PIS: M/s. Cox and Kings (India) Limited

October 5, 2010

The Reserve Bank of India today notified that M/s. Cox and Kings (India) Limited has passed a resolution at the board of directors' level and by a special resolution by the shareholders to enhance the limit for purchase of its equity shares and convertible debentures by Foreign Institutional Investors (FIIs), through primary market and stock exchanges, under the Portfolio Investment Scheme up to 74 per cent of its total paid up capital.

Foreign Institutional Investors can now purchase equity shares and convertible debentures of M/s. Cox and Kings (India) Limited through primary market and stock exchanges under the Portfolio Investment Scheme, provided:

- (i) The total purchases of all FIIs does not exceed the applicable overall ceiling limits of 74% of total paid-up equity capital and total paid-up value of each series of convertible debentures, of the said company.

- (ii) The purchases of equity shares by a single FII/SEBI approved sub-account of a registered FII in the company does not exceed 10% (ten per cent) of the paid-up equity capital of the company.

Solapur Nagari Audyogik Sahakari Bank Niyamit, Solapur, Maharashtra – Penalised

October 6, 2010

The Reserve Bank of India has imposed a penalty of ₹5.00 lakh (Rupees Five Lakh only) on Solapur Nagari Audyogik Sahakari Bank Niyamit, Solapur, Maharashtra in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 for violation of the Reserve Bank of India's instructions on investment in government securities and violation of supervisory action imposed on the bank vide its letter dated December 23, 2009.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted written reply. After considering the fact of the case and the bank's reply in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

Committee on Customer Service in Banks – Date for Final Report Submission Extended

October 8, 2010

The Committee on Customer Service in Banks (Chairman: Shri M. Damodaran)

constituted by the Reserve Bank of India has been granted extension of time upto January 14, 2011 to submit its final report and recommendations. The report was originally to be submitted on October 14, 2010. The extension of time for submission of the report has been necessitated due to the volume of work required to be undertaken by the Committee to fulfill its mandate in regard to the terms of reference and purpose for which it has been constituted.

It may be recalled that the Reserve Bank of India, had in June 2010, set up a Committee to look into banking services rendered to retail and small customers, including pensioners and also look into the system of grievance redressal mechanism prevalent in banks, its structure and efficacy and suggest measures for expeditious resolution of complaints.

Punjab and Haryana to Include Financial Literacy in School Curriculum

October 15, 2010

The state governments of Punjab and Haryana have agreed to include financial literacy in the school curriculum. This was in response to the Reserve Bank of India Governor Dr. D. Subbarao's suggestion to the government of Punjab and Haryana in separate meetings with the officials of both the state governments. Financial literacy is the flip side of financial inclusion, the Governor said and urged the state governments of Punjab and Haryana to consider including financial literacy in the

school curriculum. He was in Chandigarh for the meeting of the Central Board of the Reserve Bank of India.

The meeting reviewed key economic, monetary and financial developments. Dr. D. Subbarao, Governor, Reserve Bank of India chaired the meeting. Shri Y.H. Malegam, Prof. Suresh Tendulkar, Prof. U. R. Rao, Shri Lakshmi Chand, Shri H.P. Ranina, Shri Kumar Mangalam Birla, Smt. Shashi Rajagopalan, Shri Suresh Neotia, Dr. A. Vaidyanathan, Prof M. M. Sharma and Shri Sanjay Labroo were present at the meeting of the Central Board. Deputy Governors of the Reserve Bank, Smt. Shyamala Gopinath, Smt. Usha Thorat, Dr. K.C. Chakrabarty and Dr. Subir Gokarn were also present.

While in Chandigarh, the Governor also met the Chief Minister of Haryana Shri B S Hooda and the Deputy Chief Minister of Punjab Shri Sukhbir Singh Badal. He briefed them about the general economic situation in the country. Highlighting the importance of financial inclusion in overall economic development, the Governor desired that the State Governments support the Reserve Bank's financial inclusion and financial literacy drives.

The Governor also met the state government officials and bankers in Punjab and Haryana and discussed issues of mutual interest, such as, electronic benefit transfer and financial inclusion, debt swap scheme and counterfeit currency notes. He also urged that the State Government and the bank officials should use the forum of State Level Bankers Committee more effectively.

Government of India Announce Repurchase Auction of GoI dated Securities

October 21, 2010

The Government of India, in consultation with the Reserve Bank of India have announced, vide its Notification No. F.No.4(3)-W&M/2010 dated October 21, 2010, repurchase of (i) 8.75 per cent Government Stock 2010 for the entire outstanding amount of ₹500.22 crore, (ii) 12.32 per cent Government Stock 2011 for the entire outstanding amount of ₹9,462 crore and (iii) 6.57 per cent Government Stock 2011 for the entire outstanding amount for ₹18,590.50 crore, for their cash management operations. The repurchase of the Government Stocks will be undertaken in one or more tranches. The repurchase operations would be purely of *ad hoc* in nature and will be funded through the current surplus cash balances of the Government of India.

Accordingly, it has been decided to repurchase the above Government Stocks for an aggregate amount of ₹12,000.00 crore through multi-security auction using the multiple price method on October 25, 2010 (Monday). The settlement would be on October 26, 2010 (Tuesday).

The repurchase operations of the Government will have the following features:

- (a) There is an overall aggregate ceiling amount of ₹12,000 crore for all the securities in the basket put together. There is no security-wise notified amount.
- (b) The Reserve Bank of India reserves the right to:
 - i. Decide on the quantum of purchase of individual securities,

- ii. Accept less than the aggregate amount of ₹12,000.00 crore
 - iii. Purchase marginally higher than the aggregate amount due to rounding off effects,
 - iv. Accept or reject any or all of the offers either wholly or partially if deemed fit without assigning reason.
- (c) The auction shall be conducted by the Reserve Bank of India, Mumbai Office, Fort, Mumbai on October 25, 2010 (Monday).
 - (d) Offers for the auction should be submitted in electronic format using Open Market Operation (OMO) module of NDS. The bids should be submitted between 10.30 A.M. and 12.30 P.M.
 - (e) The result of the auction will be announced on October 25, 2010 and payment to successful offerers will be made during the banking hours on October 26, 2010 (Tuesday). Successful offerers may note to make available the requisite amount of securities in their SGL account in the forenoon on October 26, 2010 (Tuesday).

RBI Sub-Committee of the Central Board of Directors to Study Issues and Concerns in MFI sector

October 28, 2010

The Sub-Committee of the Reserve Bank's Central Board of Directors has finalised its terms of reference. The Sub-Committee chaired by Shri Y H Malegam, a senior member of the Reserve Bank's

Central Board of Directors was set up after the Board's October meeting to study issues and concerns in the micro finance sector. The terms of reference are:

1. To review the definition of 'microfinance' and 'Micro Finance Institutions (MFIs)' for the purpose of regulation of non-banking finance companies (NBFCs) undertaking microfinance by the Reserve Bank of India and make appropriate recommendations.
2. To examine the prevalent practices of MFIs in regard to interest rates, lending and recovery practices to identify trends that impinge on borrowers' interests.
3. To delineate the objectives and scope of regulation of NBFCs undertaking microfinance by the Reserve Bank and the regulatory framework needed to achieve those objectives.
4. To examine and make appropriate recommendations in regard to applicability of money lending legislation of the States and other relevant laws to NBFCs/MFIs.
5. To examine the role that associations and bodies of MFIs could play in enhancing transparency disclosure and best practices
6. To recommend a grievance redressal machinery that could be put in place for ensuring adherence to the regulations recommended at 3 above.
7. To examine the conditions under which loans to MFIs can be classified as priority sector lending and make appropriate recommendations.

8. To consider any other item that is relevant to the terms of reference.

There have been some concerns in the recent past expressed in the media about high interest rates, coercive recovery processes and multiple lending practised by some microfinance institutions. In order to study these and other related issues and implications for its policies and given the useful role played by the microfinance institutions in providing access to financial services to the poor and excluded, the Reserve Bank of India set up a Sub-Committee of the Central Board of Directors of the Reserve Bank to study the issues and concerns in this sector, including ways and means of making interest rates charged by them reasonable. Shri Y H Malegam, a senior member on the Central Board of Directors of the Reserve Bank of India will chair the Sub-Committee. Other members of the Sub-Committee include, Smt. Shashi Rajagopalan, Shri U R Rao, Shri Kumar Mangalam Birla and Dr. K C Chakrabarty, Deputy Governor. Shri V K Sharma, Executive Director, Reserve Bank of India will be the Member Secretary to the Sub-Committee. The Sub-Committee will submit its report in three months.

The Reserve Bank of India regulates only those microfinance institutions which are registered with it as non-banking finance companies. Although the registered companies cover over 80 per cent of the microfinance business, in terms of number of companies they constitute a small percentage of the total number of MFIs in the country. The Reserve Bank, however, does not prescribe lending rates for these institutions.

RBI announces Liquidity Easing Measures

October 29, 2010

The liquidity adjustment facility (LAF) window of the Reserve Bank has been in the deficit mode in the recent period. In order to provide liquidity comfort arising out of frictional liquidity pressure, the Reserve Bank has today announced the following temporary measures:

- A special second LAF (SLAF) will be conducted on two days at 2.30 p.m. on October 29, 2010 and at 4.15 p.m. on November 1, 2010.
- A special 2-day repo auction under the LAF will be conducted at 10.30 a.m. on Saturday, October 30, 2010. Scheduled commercial banks may avail of additional liquidity support under the LAF to the extent of up to 1.0 per cent of their net demand and time liabilities (NDTL) as on October 8, 2010. For any shortfall in maintenance of statutory liquidity ratio (SLR) on October 30-31, 2010 arising out of availment of this facility, banks may seek waiver of penal interest purely as an *ad hoc*, temporary measure. This facility will be available only on Saturday, October 30, 2010.

RBI extends Liquidity Easing Measures

October 31, 2010

With a view to alleviating frictional liquidity pressure, the Reserve Bank of India had announced two liquidity easing measures on October 29, 2010.

As the frictional liquidity pressure may persist and in order to provide liquidity comfort, it has been decided to extend the liquidity easing measures announced on October 29, 2010 on all days during November 1 - 4, 2010. Accordingly,

- Scheduled commercial banks may avail of additional liquidity support under the liquidity adjustment facility (LAF) to the extent of up to 1.0 per cent of their net demand and time liabilities (NDTL) as on October 8, 2010. As the LAF auction on November 4, 2010 will be for four days, banks may seek waiver of penal interest for any shortfall in maintenance of statutory liquidity ratio (SLR) arising out of availment of this facility up to November 7, 2010 purely as an *ad hoc*, temporary measure.
- A special second LAF (SLAF) will be conducted at 4.15 p.m. on all days during November 1- 4, 2010.

