Regulatory and Other Measures

October 2012

RBI/2012-13/243 DBOD. AML.BC.No.49/14.01.001/2012-13 dated October 11, 2012

The Chairmen/CEOs of all Scheduled Commercial Banks (Excluding RRBs)/Local Area Banks/All India Financial Institutions

Uploading of Reports on FINnet Gateway

Please refer to our circular DBOD.AML. BC.No.39/14.01.001/2012-13 dated September 7, 2012 advising all banks/AIFIs to initiate submission of reports on the FINnet Gateway in 'TEST MODE' from August 31, 2012.

2. FIU-IND have now advised that the 'go-live' date is **October 20, 2012** and that banks may discontinue submission of reports in CD format after October 20, 2012, using only FINnet gateway for uploading of reports in the new XML reporting format. Any report in CD format received after October 20, 2012 will not be treated as a valid submission by FIU-IND.

3. All banks and financial institutions are accordingly advised to take action as required by FIU-IND and ensure that all reports are submitted in time as per the schedule.

4. For any clarification/assistance regarding submission of reports, you may contact FIU-IND help desk at email or telephone numbers 011-24109792/93.

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RBI/2012-13/244 DPSS (CO) EPPD No. 622/04.03.01/2012-13 dated October 12, 2012

The Chairman and Managing Director/
Chief Executive Officer
of member banks participating in NEFT

National Electronic Funds Transfer (NEFT) – Requirement of Indian Financial System Code (IFSC) in transactions

NEFT system provides for an efficient, affordable, safe mode of funds transfer in near real time. The growth in volume and value of transactions processed under the NEFT in recent times reflects its popularity as newer segments of population have also started using the system for meeting their remittance requirements.

2. One of the elements in the NEFT transaction relates to the IFS Code number of the beneficiary branch, which is a mandatory field for ensuring that transactions are routed to the correct beneficiary branch. The model NEFT application form, *i.e.,* Form NEFT-2A in Annex III to the NEFT Procedural Guidelines dated April 2011 also provides for capturing the beneficiary bank details along with branch and the IFSC Number.

3. With a view to further facilitating electronic modes of remittance and enhancing customer service at branches for NEFT transactions, the participating banks are advised as under:

(i) Bank staff should provide customers with necessary assistance in filling out the details as required in the NEFT application form, including ensuring that beneficiary account details *etc.* are duly filled in.

(ii) Where the customer has provided both the IFS Code as well as branch details of the beneficiary branch, the bank should ensure that these details match. In case of any mismatch, the same may be brought to the notice of the customer for rectification before originating the transaction.

(iii) Where the customer is able to provide only one of the inputs related to beneficiary branch, *i.e.*, either the IFS Code or the branch name, then the bank staff has to assist the customer in ascertaining the other information which should be duly filled in by the customer on the NEFT application form before originating the transaction.

(iv) The maker-checker/double scrutiny procedure being followed by the banks should cover details provided by the customer in the NEFT application form, including matching of IFSC number as above.

(v) Banks may please ensure that these instructions for facilitating hassle and error free NEFT transactions are communicated to the branches and their dealing staff for compliance.

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RBI/2012-13/253 RPCD.CO. Plan. BC 37/04.09.01/2012-13 dated October 17, 2012

The Chairman/Managing Director/
Chief Executive Officer
[All scheduled commercial banks
(excluding Regional Rural Banks)]

Priority Sector Lending – Targets and Classification

Please refer to our circular No.RPCD.CO.Plan. BC 13/04.09.01/2012-13 dated July 20, 2012 on the captioned subject. During the interaction Governor had

Annex

1. Agriculture

1.1 Direct Agriculture

Bank loans to following entities would also qualify for lending to direct agriculture:-

Loans to corporates including farmers' producer companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, *viz.*, dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture (up to cocoon stage) up to an aggregate limit of ₹ 2 crore per borrower for the following purposes.

(i) Short-term loans for raising crops, *i.e.* for crop loans.

This will include traditional/non-traditional plantations, horticulture and allied activities.

Annex *(Contd.)*

(ii) Medium & long-term loans for agriculture and allied activities (*e.g.* purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and development loans for allied activities).

(iii) Loans for pre-harvest and post-harvest activities, *viz.*, spraying, weeding, harvesting, grading and sorting.

(iv) Export credit for exporting their own farm produce.

[Effect on July 20, 2012 circular: A new sub paragraph under Paragraph (III) (1.1) gets added]

1.2 Indirect Agriculture

If the aggregate loan limit per borrower is more than ₹2 crore in respect of para 1.1 above, the entire loan should be treated as indirect finance to agriculture.

[Effect on July 20, 2012 circular: Paragraphs (III) (1.2.1) (i), (ii), (iii), (v) and (vi) would stand amended accordingly]

2. Micro and Small Enterprises (Service Sector)

Bank loans to Micro and Small Enterprises (MSE) engaged in providing or rendering of services will be eligible for classification as direct finance to MSE Sector under priority sector upto an aggregate loan limit of ₹2 crore per borrower/unit, provided they satisfy the investment criteria for equipment as defined under MSMED Act, 2006.

[Effect on July 20, 2012 circular: Paragraph (III) (2) (2.1.2) would stand amended accordingly]

3. Housing

(i) Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of ₹10 lakh per dwelling unit.

(ii) Loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses only to economically weaker sections and low income groups, the total cost of which does not exceed ₹10 lakh per dwelling unit, will qualify for priority sector status. For the purpose of

Annex *(Concld.)*

identifying the economically weaker sections and low income groups, the family income limit of ₹1,20,000 per annum, irrespective of location, is prescribed.

[Effect on July 20, 2012 circular: Paragraph (III) (4) (iii) & (iv) would stand amended accordingly]

(iii) Bank loans to Housing Finance Companies (HFCs), approved by NHB for their refinance, for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of ₹10 lakh per borrower, provided the all inclusive interest rate charged to the ultimate borrower is not exceeding lowest lending rate of the lending bank for housing loans plus two percent per annum.

(iv) The eligibility under priority sector loans to HFCs is restricted to five percent of the individual bank's total priority sector lending, on an ongoing basis. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower-wise details of the underlying portfolio.

[Effect on July 20, 2012 circular: A new sub paragraph under Paragraph (III) (4) gets added]

4. It is also clarified that:-

(i) The investments in non-SLR securities, under HTM category for computation of ANBC will include only non-SLR bonds/debentures.

(ii) Off-balance sheet interbank exposures are excluded for computing Credit Equivalent of Off -Balance Sheet Exposures for the priority sector targets.

(iii) The term 'all inclusive interest' includes interest (effective annual interest), processing fees and service charges.

(iv) Banks should ensure that loans extended under priority sector are for approved purposes and the end use is continuously monitored. The banks should put in place proper internal controls and systems in this regard.

with bankers on July 31, 2012 in connection with the first quarter review of Monetary Policy Statement 2012-13, certain concerns were raised by the banks on the revised priority sector guidelines. Accordingly, discussions were held with CMD/CEOs of select banks and also with priority sector heads of select banks. Based on the feedback received, it has been decided to make certain additions and amendments, as per the Annex, in the guidelines on priority sector issued vide circular dated July 20, 2012.

The additions and amendments will be operational with effect from July 20, 2012.

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RBI/2012-13/257 DPSS.CO.PD. No.670/02.10.002/2012-13 dated October 19, 2012

The Chairman and Managing Director/
Chief Executive Officers
All Scheduled Commercial Banks including RRBs/
Urban Co-operative Banks/State Co-operative Banks/
District Central Co-operative Banks
Authorised ATM Network Operators/
Card Payment Network Operators
Prospective White Label ATM Operators

White Label ATMs (WLAs) in India – Guidelines

Please refer to the guidelines issued vide DPSS.CO.PD. No. 2298/02.10.002/2011-2012 dated June 20, 2012 on the captioned subject wherein prospective White Label ATM (WLA) operators were required to approach RBI for seeking specific authorisation within four months from the date of issuance of the circular.

2. On a review of the position, the last date for submission of applications for authorisation has been extended till December 31, 2012.

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RBI/2012-13/261 DBOD.No.BP.BC.50/21.04.012/2012-13 dated October 23, 2012

The Chairmen & Managing Directors/
Chief Executive Officers of
All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Relaxation to Trade and Industry in the State of Jammu & Kashmir

Please refer to our circular DBOD.No.BP.BC.25/21.04.012/2011-12 dated July 28, 2011 extending the period of concessions/credit relaxations to borrowers/customers in Jammu & Kashmir up to 31 March 2012. It has been decided that the concessions/credit relaxations to borrowers/customers in the State of Jammu & Kashmir, as laid down in our Circular No. DBOD.No.BP.BC.77/21.04.012/2003-2004 dated April 21, 2004, will continue to be operative up to March 31, 2014.

2. Suitable instructions may please be issued to your controlling/branch offices in this regard.

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RBI/2012-13/269 Ref: DBOD.No.Ret.BC.52/12.01.001/2012-13 dated October 30, 2012

All Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Maintenance of Cash Reserve Ratio

Section 42(1) of the Reserve Bank of India Act, 1934 – Maintenance of Cash Reserve Ratio (CRR)

Please refer to our Circular DBOD.No.Ret.BC.44/12.01.001/2012-13 dated September 17, 2012 on the captioned subject.

2. As set out in the Reserve Bank's Press Release 2012-2013/713 dated October 30, 2012, it has been decided to reduce the Cash Reserve Ratio (CRR) of Scheduled Commercial Banks by 25 basis points from 4.50 per cent to 4.25 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning November 03, 2012.

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RBI/2012-13/271 UBD.BPD. (SCB). CIR. No.2/12.03.000/2012-13 dated October 30, 2012

The Chief Executive Officers of
All Scheduled Primary (Urban) Co-operative Banks

Maintenance of CRR – UCBs

Section 42(1) of Reserve Bank of India Act, 1934 – Maintenance of Cash Reserve Ratio (CRR)

Please refer to our Circular UBD (SCB).Cir. No.1/12.03.000/2012-13 dated September 17, 2012 on the captioned subject.

2. As set out in the Reserve Bank's Press Release 2012-2013/713 dated October 30, 2012, it has been decided to reduce the Cash Reserve Ratio (CRR) of Scheduled Urban Co-operative Banks by 25 basis points from 4.50 per cent to 4.25 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning November 03, 2012.

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RBI/2012-13/272 RPCD.CO.RCB.RRB.BC.No.39/03.05.33/2012-13 dated October 30, 2012

All Scheduled State Co-operative Banks/Regional Rural Banks

StCBs/RRBs – Maintenance of CRR

Section 42(1) of the Reserve Bank of India Act, 1934 – Maintenance of CRR

Please refer to our Circular RPCD.CO.RCB.RRB.BC.No.28/07.02.01/2012-13 dated September 18, 2012, on the captioned subject.

2. As set out in the Reserve Bank's Press Release 2012-2013/713 dated October 30, 2012, it has been decided to reduce the Cash Reserve Ratio (CRR) of Scheduled State Co-operative Banks/Regional Rural Banks, by 25 basis points, from 4.50 per cent to 4.25 per cent, of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning November 3, 2012.

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