

## Regulatory and Other Measures

October 2011

RBI/2011-12/210 DPSS. CO.AD. No. 604 /02.27.005 / 2011-12 dated October 3, 2011

### List of Terrorist Individuals/Organisations under UNSCR 1267(1999) and 1822(2008) on Taliban/Al-Qaida Organisation

All Payment System Operators Authorised under the PSS Act, 2007

Please refer to our circular DPSS.CO.AD.No. 208 / 02.27.005/2011-12 dated August 4, 2011 on the captioned subject. We have since received from Government of India (Ministry of External Affairs) copies of notes forwarded by the Chairman of UN Security Council's 1267 Committee regarding changes made in the Consolidated List of Individuals and entities linked to Al-Qaida, as detailed below:

1. Note dated July 29, 2011 (Annex I)
2. Note dated August 12, 2011 (Annex II)
3. Note dated August 22, 2011 (Annex III)

2. All the payment system operators (PSOs) are required to update the consolidated list of individuals/entities as circulated by Reserve Bank and before opening any new account/registering or offering service to new customer, it should be ensured that the name/s of the proposed customer does not appear in the list. Further, PSOs should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

3. All the PSOs are advised to strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 enclosed to the Reserve Bank circular DBOD.AML.BC. No. 44/14.01.001/2009-10 dated September 17, 2009 and ensure meticulous compliance to the Order issued by the Government. The said circular is available on our website [www.rbi.org.in](http://www.rbi.org.in).

4. As far as freezing of funds, financial assets or economic resources or related services held in the

form of bank accounts, etc. of the designated individuals/entities are concerned, action should be taken as detailed in paragraph 6 of the circular dated September 17, 2009, mentioned above.

5. The complete details of the said consolidated list are available on the UN website:

<http://www.un.org/sc/committees/1267/consolist.shtml>

6. Nodal Officer/Principal Officer should acknowledge receipt of this circular letter.

RBI/2011-12/212 DBS.ARS.BC. No. 03/08.91.020/ 2011-12 dated October 4, 2011

### Calendar of Reviews for Board/Local Management Committee of Foreign Banks

The Chief Executives

All foreign banks operating in India

Reserve Bank of India vide its circular DBS.ARS.BC. No. 4/ 08.91.020/ 2010-11 dated November 10, 2010 has issued instructions to Indian public and private sector banks regarding a comprehensive calendar of reviews to be placed before the Audit Committee of their Board. While all the reviews prescribed vide our above circular are not applicable to foreign banks operating in India, we request you to be guided by the instructions contained therein. In order to do so you may

- (i) Identify areas/aspects which, as per your assessment, require to be brought up for review. These areas may be incorporated in a policy and got approved by the Board/ Local Management Committee,
- (ii) The policy may be reviewed annually and areas/aspects included/deleted based on individual experience, and
- (iii) The reviews may be put up to the Local Management Committee/Chief Executive Officer.

2. In this connection, we also invite a reference to our circular DBS.ARS.BC. No. 07/ 08.91.020/ 2010-11 dated May 11, 2011 advising that for all foreign banks operating in India, the Chief Executive Officer would be responsible for effective oversight of regulatory and statutory compliance as also the audit process and the compliance thereof in respect of all operations in India.

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RBI/2011-12/213 DPSS.PD.CO.No. 622/02.27.019/2011-2012 dated October 5, 2011

### **Domestic Money Transfer- Relaxations**

The Chairman and Managing Director/Chief Executive Officer

All Scheduled Commercial Banks including RRBs/  
Urban Co-operative Banks/State Co-operative Banks/  
District Central Co-operative Banks/Authorised Card  
Payment Networks

At present only banks are permitted to initiate money transfers in the country subject to adherence of KYC/AML guidelines. A large number of people, particularly the migrant population, do not have access to formal banking channels for want of proof of identity/address. Consequently, they face difficulties in using the authorised channels for transferring funds. Reserve Bank has been receiving frequent representations to open up the formal banking channel to facilitate fund transfers of small value, subject to monthly ceilings and monitoring, to give impetus to the process of financial inclusion. We are issuing these guidelines after having reviewed the related issues. These relaxations are expected to provide money transfer facilities in a safe, secure and efficient manner across the length and breadth of the country.

2. The relaxations fall under the following three categories:

- a. Liberalising the cash pay-out arrangements for amounts being transferred out of bank accounts to beneficiaries not having a bank account and enhancing the transaction cap from the existing limit of ₹5,000 to ₹10,000 subject to an overall monthly cap of ₹25,000 per beneficiary.
- b. Enabling walk in customers not having bank account (for instance migrant workers) to

transfer funds to bank accounts (of say family members or others) subject to a transaction limit of ₹5,000 and a monthly cap of ₹25,000 per remitter.

- c. Enabling transfer of funds among domestic debit/credit/pre-paid cards subject to the same transaction/monthly cap as at (b) above.

3. Operational instructions are detailed in the Annex.

4. Banks/ non-banks may adhere to the following while enabling the domestic fund transfers enumerated above.

- a. Banks/non-banks shall put in place a robust system of safeguards including velocity checks and alerts to customers about credit into accounts using this facility. Any unusual spurt in volume of credits in a particular account/group of accounts shall be immediately investigated. Appropriate authorities shall be alerted regarding suspicious transactions.
- b. Such fund transfers are expected to be effected on a real/near real time basis.
- c. The total outstanding amount on a prepaid payment instrument shall not at any point of time exceed the limits prescribed in the extant guidelines on the RBI on the policy guidelines for issuance and operation of prepaid payment instruments.
- d. Inter-bank settlement of funds shall be effected using RBI approved payment systems only.
- e. Banks/non-banks may fix reasonable charges to popularise the scheme.
- f. Banks/non-banks may put in place appropriate systems for redressal of customer grievances.
- g. Customer grievances under this scheme shall fall under the purview of the Reserve Bank of India's Banking Ombudsman Scheme.

5. This directive is issued under section 18, of the Payment and Settlement Systems Act 2007, (Act 51 of 2007).

## Annex

### 1. Payment of amounts transferred from a bank account (Cash Pay out Schemes)

In terms of our circular DPSS.CO.No.1357/02.23.02/ 2009-10 dated December 24, 2009 on mobile banking, banks are permitted to provide services which facilitate transfer of funds from the accounts of their customers for delivery in cash to the recipients not having bank accounts at an ATM or through an agent appointed as Business Correspondent. It has been decided to raise the ceiling on the value of such transfers from ₹5,000 to ₹10,000 per transaction subject to the cap of ₹25,000 per month. It has been further decided to permit banks to facilitate such fund transfers through any other authorised payment channels as well. The remitting bank shall obtain full details of the name and address of the beneficiary.

### 2. Payment of amounts to be credited to bank accounts (Cash Pay in Scheme)

Presently, a walk-in customer at a bank branch can remit funds up to ₹50,000 to the bank account of a beneficiary through NEFT. Besides, banks are also permitted to allow such customers to transfer funds

to a Bank account of a beneficiary through BCs, ATMs, etc. up to a maximum amount of ₹5,000 per transaction with a monthly cap of ₹25,000. Such a walk-in customer needs to provide minimum details like his name and complete address to the remitting bank.

### 3. Card to Card Transfers

3.1. Cards (credit/debit/prepaid) as a means of payment and their acceptance at various delivery channels have been gaining popularity. While the debit cards are directly linked to the bank account of the customer, the credit card account and prepaid card accounts are held in the books of the bank which has been opened after due diligence by the banks. Prepaid payment instruments are issued by both banks and non-banks, the latter being permitted to issue only semi-closed prepaid cards. As on date, semi-closed prepaid cards are usable only for payments of goods and services (P2B).

3.2. On a review of the potential reach of such cards, it has been decided to permit card-to-card fund transfers in a manner which ensures that the underlying

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characteristics of the card from which the transfer is initiated are retained. Henceforth, person-to-person fund transfers, in a limited way, from such semi-closed prepaid cards are permitted up to ₹5,000 per transaction subject to a cap of ₹25,000 per month. Accordingly permissible card to card transactions are indicated in the table below:	<b>Instrument Issuer (Remitter end)</b>	<b>Type of card</b>	<b>Nature of operations usage</b>	<b>Nature of card to card transfer enabled (P2P) (Beneficiary end)</b>
Prepaid payment Instrument (PPI)	Banks	Open system	Payment for goods and services (P2B) Withdrawal of cash at ATM	To other open system PPIs To semi closed PPIs issued by the banks

				<p>To bank accounts</p> <p>To debit cards</p> <p>To credit cards (for repayment of outstanding dues only)</p> <p>To semi closed system PPIs (issued by non-bank entity)*</p>
Prepaid payment Instrument (PPI)	Banks	Semi closed system (other than gift cards)	Payment for goods and services (P2B)	<p>To bank account.</p> <p>To semi closed PPIs issued by the banks.</p> <p>To semi closed system PPIs (issued by non-bank entity)*</p>

RBI/2011-12/217 DBOD.No.BP.BC. 39 /21.06.007/2011-12 dated October 13, 2011

**Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) - Revision of Rating Symbols and Definitions of Credit Rating Agencies**

The Chairman/CMD/MD/CEO All Scheduled Commercial Banks (excluding LABs and RRBs)

Please refer to the Master Circular No. DBOD.No.BP.BC.11/21.06.001/2010-11 dated July 1, 2011 on 'Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF)' by which the consolidated prudential guidelines had been issued to banks on the captioned subject.

2. In terms of para 6 of the circular, four domestic credit rating agencies viz. CARE, CRISIL, FITCH India and ICRA have been accredited for the purpose of risk

weighting the banks' claims for capital adequacy purposes. The long term and short term ratings issued by the chosen domestic credit rating agencies have been mapped to the appropriate risk weights applicable as per the Standardised Approach under the Basel II Framework.

3. SEBI has, vide its circular CIR/MIRSD/4/2011 dated June 15, 2011 on 'Standardisation of Rating Symbols and Definitions', instructed Credit Rating Agencies (CRAs) registered with SEBI to adopt common rating symbols and rating definitions, which shall henceforth be used for the new ratings/reviews by the CRAs. Under the revised standardised system, there is no change in the long term rating symbols except that rating symbols will henceforth display the rating agency's name as a prefix. In case of short term ratings, a rating scale denoted by 'A' on a scale of '1' to '4' (i.e. A1, A2, A3 and A4) and 'D' has been prescribed. The four accredited CRAs, which are registered with SEBI, have therefore revised their rating symbols of long term and short term debt instruments. The new rating symbols of the

chosen CRAs vis-à-vis their old rating symbols for long term and short term instruments are furnished in Annex for ready reference.

4. The aforesaid change in rating symbols and definitions however does not effect, in any manner, the rating methodology followed by the CRAs for rating such instruments and will have no bearing on the existing ratings assigned by the CRAs under the Basel-II framework.

5. In view of above, banks are advised that they should henceforth use the revised rating symbols of the credit rating agencies with the corresponding guidance in the master circular under reference for the purpose of assigning risk weights to the various exposures.

6. All other provisions regarding external credit ratings of the master circular remain unchanged.

### Annex

#### Revised Rating Symbols of CARE, CRISIL, FITCH and ICRA

CARE Long-Term Debt instruments		Short-Term Debt instruments	
Earlier Rating Symbol	Revised Rating Symbol	Earlier Rating Symbol	Revised Rating Symbol
AAA	CARE AAA	PR-1	CARE A1
AA	CARE AA	PR-2	CARE A2
A	CARE A	PR-3	CARE A3
BBB	CARE BBB	PR-4	CARE A4
BB	CARE BB	PR-5	CARE D
	B		CARE B
	C		CARE C
	D		CARE D

### The Chairmen

#### All Regional Rural Banks (RRBs)

#### Know your Customer Norms – Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number

Please refer to the Government of India Notification No. 14/2010/F.No. 6/2/2007 ES dated December 16, 2010 which recognises the letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number, as an officially valid document as contained in Rule 2(1)(d) of the PML Rules, 2005.

2. In this regard, a reference is invited to paragraph 5 of our circular RPCD.CO.RRB.AML.BC.No.15/03.05.33(E) /2011 12 dated August 8, 2011 wherein it was stipulated that when bank relies exclusively on the Aadhaar letter as complete KYC document for

opening of an account, such an account would be subject to all conditions and limitations applicable to 'Small' accounts as detailed in the Govt notification referred to above. After further consultations with Government, it has now been decided to accept the letter issued by the UIDAI as described above as an officially valid document for opening bank accounts without the limitations applicable to 'Small' accounts as prescribed in paragraph 5 of our circular under reference.

3. In this connection, attention is also invited to paragraph 3 of the circular RPCD.No.RRB.BC.81/03.05.33(E)/2004-05 dated February 18,2005 on Know Your Customer Guidelines – Anti Money Laundering Standards and para 3 of circular RPCD.CO.RRB.No. BC.50/03.05.33 (E)/2007-08 dated February 27, 2008 on KYC/AML/CFT- RRBs dealing with customer identification. It is reiterated that while opening accounts based on Aadhaar also, banks must satisfy

themselves about the current address of the customer by obtaining required proof of the same as per extant instructions.

4. Compliance Officer/Principal Officer should acknowledge receipt of this letter to our Regional Office concerned.

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RBI/2011-12/219 RPCD.CO.Plan.BC. 22 /04.09.01/2011-12 dated October 13, 2011

### **Inclusion of Credit under KCC under direct financing for Agriculture**

The Chairman/Managing Director/  
Chief Executive Officer  
[All Scheduled Commercial Banks  
(excluding Regional Rural Banks)]

Please refer to para 1.1.3 of our circular RPCD.CO.Plan.BC.No.10/04.09.01/2011-12 dated July 1, 2011 on lending to priority sector in terms of which working capital and term loans for financing production and investment requirements for agriculture and allied activities are treated as direct finance to agriculture under priority sector.

2. As credit under the Kisan Credit Card is primarily for agricultural purposes, it is clarified that such credit would be treated as direct finance for agriculture under priority sector lending.

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RBI/2011-12/220 October 14, 2011 A.P. (DIR Series)  
Circular No. 34

### **Exim Bank's Line of Credit of USD 27.50 million to the Government of the Republic of Senegal**

All Category - I Authorised Dealer Banks

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated April 21, 2011 with the Government of the Republic of Senegal, making available to the latter, a Line of Credit (LOC) of USD 27.50 million (USD twenty seven million and five hundred thousand) for financing eligible goods, services, machinery and equipment including consultancy services from India for the purpose of financing rural electrification project in Senegal. The

goods and services including consultancy services from India for exports under this Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this Agreement. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the sellers from India and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the sellers for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from August 24, 2011 and the date of execution of Agreement is April 21, 2011. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (April 20, 2017) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR/SDF Forms as per instructions issued by the Reserve Bank from time to time.

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category-I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for payment of agency commission.

5. AD Category-I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www.eximbankindia.in](http://www.eximbankindia.in).

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

RBI/2011-12/222 DBOD. No.Ret. BC. 40 /12.06.131 / 2011-12 dated October 14, 2011

### **Inclusion in the Second Schedule to the Reserve Bank of India Act, 1934 – Rabobank International (Coöperatieve Centrale Raiffeisen–Boerenleenbank B.A.)**

All Scheduled Commercial Banks

We advise that the name of 'Rabobank International (Coöperatieve Centrale Raiffeisen – Boerenleenbank B.A.)' has been included in the Second Schedule to the Reserve Bank of India Act, 1934 by Notification DBOD.IBD.No.948/23.03.027/ 2011-12 dated July 18, 2011, published in the Gazette of India (Part III – Section 4) dated July 30, 2011.

DBOD.IBD.No.948/23.03.027/2011-12 dated July 18, 2011

#### **Notification**

In pursuance of Clause (a) of sub-section (6) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934), the Reserve Bank of India hereby directs the inclusion in the Second Schedule to the said Act of the following bank namely:

**'Rabobank International (Coöperatieve Centrale Raiffeisen- Boerenleenbank B.A.)'**

RBI/2011-12/235 DNBS(PD).CC. No 246 /03.10.42 /2011-12 dated October 28 , 2011

### **List of Terrorist Individuals/Organisations- under UNSCR 1267 (1999) and 1822(2008) on Taliban /AL-Qaida Organisation**

All Non Banking Financial Companies/  
Residuary Non Banking Companies

Please refer to Company Circular No 241 dated September 12, 2011 on List of Terrorist Individuals/Organisations under UNSCR 1267 (1999) and 1822 (2008) on Taliban /AL-Qaida Organisation.

2. The Chairman of UN Security Council's 1267 Committee has forwarded copies of notes dated July 29, 2011, August 12, 2011 and August 22, 2011 regarding changes made in the consolidated List of

Individuals and entities linked to Al-Qaida and Taliban (copies enclosed). All NBFCs and RNBCs are advised to update the consolidated list of individuals/entities. Before opening any new account, it should be ensured that the name/s of the proposed customer does not appear in the list. Further, NBFCs and RNBCs should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

3. The complete details of the consolidated list is available on the UN website: [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)

RBI/2011-12/237 DNBS(PD).CC. No 248 /03.10.01 /2011-12 dated October 28 , 2011

### **Implementation of Green Initiative of the Government**

All Non Banking Financial Companies/  
Residuary Non Banking Companies

As part of the 'Green Initiative' of the Government, the Government of India has suggested that steps be taken by entities in financial sector, including NBFCs to help better utilisation of their resources and also better delivery of services.

2. NBFCs are therefore, requested to take proactive steps in this regard by increasing the use of electronic payment systems, elimination of post-dated cheques and gradual phase-out of cheques in their day to day business transactions. These will result in more cost-effective transactions and faster and accurate settlements.

RBI/2011-12/238 UBD.BPD.(PCB). Cir.No.7/09.22.010/ 2011-12 dated October 31, 2011

### **Revision in Limits of Housing Loans and Repayment Period - Second Quarter Review of Monetary Policy 2011-12**

The Chief Executive Officer,  
All Primary (Urban) Co-operative Banks.

Please refer to Circular UBD.PCB.Cir.No.42/ 09.09.001/08-09 dated May 15, 2008 on Revision of

Individual Housing Loan Limits and para 4(iii) of Circular UBD.P&O.108/UB.31-88/89 dated April 5, 1989 issued to the Registrar of Co-operative Societies, specifying the maximum permissible repayment period of housing loans granted by UCBs.

2. As announced in the Second Quarter Review of the Monetary Policy 2011-12 (para 89 - extract appended), it has been decided to permit Tier-I UCBs to extend individual housing loans upto a maximum of ₹30 lakh per beneficiary of a dwelling unit and Tier

II UCBs to extend individual housing loans up to a maximum of ₹70.00 lakh per beneficiary of a dwelling unit subject to extant prudential exposure limits.

3. It has also been decided to enhance the maximum repayment period of housing loans granted by UCBs (including the period of moratorium or repayment holiday) from the present period of 15 years to 20 years.

4. All other instructions regarding grant of housing loans by UCBs remain unchanged.