

Regulatory and Other Measures

January 2012

RBI/2011-12/337 RPCD.MSME & NFS. BC. No. 53/06.02.31/2011-12 dated January 4, 2012

Issue of Acknowledgement of Loan Applications to MSME borrowers

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

Please refer to paragraph 2 (b) of Circular DBOD. Leg.No.BC.104/09.07.007/2002-03 dated May 5, 2003 on 'Guidelines on Fair Practices Code for Lenders' wherein banks were advised to devise a system of giving acknowledgement for receipt of all loan applications. The banks were also advised vide our circular RPCD. SME & NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009 to put in place a Central Registration of loan applications and to use of same technology for online submission of loan applications as also for online tracking of loan applications as recommended by the Working Group on Rehabilitation of sick MSME Units (Chairman: Dr. K. C. Chakrabarty).

2. In this connection, we have been receiving complaints from the Industry Associations/Chambers that banks are not acknowledging loan applications. It is therefore, reiterated that the banks should mandatorily acknowledge all loan applications, submitted manually or online, by their MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt.

3. Banks are further encouraged to start Central Registration of loan applications. The same technology may be used for online submission of loan applications as also for online tracking of loan applications.

4. You are requested to issue suitable instructions to your branches/controlling offices for meticulous compliance.

5. Please forward an Action Taken Report by January 30, 2012.

RBI/2011-12/342 DPSS (CO) EPPD

No.1204/04.03.01/2011-12 dated January 05, 2012

Payment of Penal Interest for delayed credit/refunds of NEFT transactions and efficient functioning of Customer Facilitation Centres

The Chairman and Managing Director /
Chief Executive Officer
of member banks participating in NEFT /
Indian Banks' Association

Please refer to our circular DPSS (CO) EPPD No. 477/04.03.01/2010-11 dated September 1, 2010 on bringing uniformity in the penal interest to be paid by the banks in case of delay in crediting the beneficiary customer's account or in returning the uncredited amount to the remitter. Under the extant guidelines, banks are required to pay penal interest at the current RBI LAF Repo Rate plus two percent for the period of delay / till the date of refund as the case may be to the affected customers. These measures were instituted with the objective of enhancing the customer service and efficiency parameters of the system in view of large scale growth in electronic payment transactions.

2. However, it has come to our notice through various instances of customer complaints that this instruction is not being adhered to by the banks. In cases of delayed credits, banks resort to value-dating of the credit in the customer's account to avoid payment of penalty which is not in accordance with the instruction issued by RBI in this regard. This is being viewed seriously and is in violation of our instructions.

3. Banks may forthwith put up a stop to this practice and strictly adhere to the extant instructions of paying penal interest at the stipulated rate to the customers suo-moto, without waiting for a claim from the customers. Banks are hereby advised to immediately report to us the status of their adherence with the extant instructions and the mechanism put in place with approval of their Board for payment of such

penalty. The data regarding the amount of penalty paid should be submitted to the Board in its next meeting with an explanatory note and the proposed action to be taken to minimize such incidents. A copy of the Board note along the Resolution of the Board on this issue may be furnished to us immediately after the meeting of the Board.

4. Further, under the NEFT Procedural Guidelines, banks are required to establish dedicated Customer Facilitation Centres (CFCs) to handle customer queries/complaints regarding NEFT transactions. The contacts details of CFCs are available on websites of banks as well as the website of RBI for easy availability to the customers. You will appreciate that CFCs are first point of contact for the aggrieved customers and play a vital role in success of NEFT system. However, it is observed that in many instances the CFC contact details given are non-functional/out-dated and/or there is no response from these numbers or mail-ids, thereby defeating the very purpose of setting up such centres.

5. In order to address this critical issue of customer service, banks are hereby advised to keep the contact details of their CFCs updated at all times and also advise changes, if any, immediately to the National Clearing Cell, Nariman Point, RBI for updating the central directory placed on RBI website. Banks should also ensure that calls made/e-mails sent to CFCs are promptly attended to and sufficient resources are dedicated for the same. A compliance to this effect should also be submitted to the Board of the bank in its next meeting and a copy of the same should be sent to us immediately after the Board meeting.

These directions are issued by Reserve Bank of India, in exercise of the powers conferred by section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

Please acknowledge receipt and advise compliance.

RBI/2011-12/344 RPCD.No.PLFS.BC,54/05.04.02/2011-12 dated January 9, 2012

Union Budget – 2011-12 – Interest Subvention Scheme – 2 per cent interest subvention and 3 per cent additional

subvention for short-term crop loans in 2011-12

The Chairman/Managing Director
All Public Sector Banks

As you are aware, the Hon'ble Finance Minister, in his Budget Speech (paragraph 63) for 2011-12 had announced as follows:

"In the last budget, I had provided an additional two per cent interest subvention as an incentive to those farmers who repay their short-term crop loans as per schedule. I propose to raise this subvention for timely repayment of crop loans from two per cent to three per cent for 2011-12. Thus, the effective rate of interest for such farmers will now be four per cent per annum. "

2. In pursuance of this announcement, Government of India will provide interest subvention of 2 per cent p.a. to Public Sector Banks in respect of short-term production credit up to ₹0.3 million during the year 2011-12. This amount of subvention will be calculated on the crop loan amount *from the date of its disbursement/drawal up to the date of actual repayment of the crop loan by the farmer or up to the due date of the loan fixed by the banks for the repayment of the loan, whichever is earlier, subject to a maximum period of one year.* This subvention will be available to Public Sector Banks on the condition that they make available short-term production credit up to ₹0.3 million at ground level at 7 per cent p.a.

3. Banks are advised to **immediately** submit their estimates of short-term production credit to farmers up to ₹0.3 million during the year 2011-12, to enable us to provide Government with an estimate of the likely amount of subvention. Please note that the estimates should be **realistic** in nature.

4. In pursuance of the above announcement, Government of India will also provide *additional* interest subvention of 3 per cent p.a. to Public Sector Banks in respect of those prompt paying farmers who repay their short-term production credit within one year of disbursement/drawal of such loans. This subvention will be available to such farmers on the short-term production credit up to a maximum amount

of ₹0.3 million availed of by them during the year, *from the date of disbursement/drawal of the crop loan up to the actual date of repayment by farmers or up to the due date fixed by the bank for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement.* This additional subvention will be available to Public Sector Banks on the condition that the effective rate of interest on short-term production credit up to ₹0.3 million for such farmers will now be 4 per cent p.a. This benefit would not accrue to those farmers who repay after one year of availing such loans.

5. For the appropriate growth and development of the warehousing sector in the country and to bring efficiency in the conduct of the warehousing business, the Government of India has introduced a negotiable warehouse receipt (NWR) system in the country by enacting the Warehousing (Development & Regulatory) Act, 2007. At present concessional crop loan @ 7 per cent with interest rate subvention is available to farmers as pre-harvest loan. However, in case of pre-harvest loan against negotiable warehouse receipts, the farmers are granted loans at commercial rates. In order to discourage distress by farmers and to encourage them to store their produce in warehousing against warehouse receipts, the benefits of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of up to six months post harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.

6. Banks may give adequate publicity to the above scheme so that the farmers can avail the benefits.

7. It is also advised as under:- Claims in respect of 2 per cent interest subvention and 3 per cent additional interest subvention may be submitted in Format I and II respectively to the Chief General Manager-in-Charge, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001.

i) In respect of 2 per cent interest subvention, banks are required to submit their claims **on a half-yearly basis** as at September 30, 2011 and March 31, 2012,

of which, the latter needs to be accompanied by a Statutory Auditor's certificate certifying the claims for subvention for the entire year ended March 31, 2012 as true and correct. Any remaining claim pertaining to the disbursements made during the year 2011-12 and not included in the claim for March 31, 2012, may be consolidated separately and marked as an '**Additional Claim**' and submitted latest by April 30, 2013, duly audited by Statutory Auditors certifying the correctness.

ii) In respect of the 3 per cent *additional* subvention, banks may submit their **one-time** consolidated claims pertaining to the disbursements made during the entire year 2011-12 latest by April 30, 2013, duly audited by Statutory Auditors certifying the correctness.

8. In case of RRBs and co-operatives, a separate circular will be issued by NABARD.

RBI/2011-12/363 Ref: DBOD.No.Ret.BC.74 /12.01.001/2011-12 dated January 24, 2012

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

All Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Please refer to our Circular DBOD.No.Ret. BC.90/12.01.001/2009-10 dated April 20, 2010 on the captioned subject.

2. The Reserve Bank in its Third Quarter Review of Monetary Policy 2011-12 issued on January 24, 2012, decided to reduce the Cash Reserve Ratio (CRR) of Scheduled Commercial Banks by 50 basis points from 6.00 per cent to 5.50 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning January 28, 2012.

3. A copy of the relative notification DBOD.No.Ret. BC.73 /12.01.001/2011-12 dated January 24, 2012 is enclosed.

RBI/2011-12/369 UBD.BPD. (PCB). CIR.No. 2 /12.03.000/2011-12 dated January 25, 2012

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

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

Please refer to our Circular UBD (PCB). No.3/12.03.000/2009-10 dated April 21, 2010 on the captioned subject.

2. The Reserve Bank in its Third Quarter Review of Monetary Policy 2011-12 issued on January 24, 2012, decided to reduce the Cash Reserve Ratio (CRR) of Scheduled Primary (Urban) Co-operative Banks by 50 basis points from 6.00 per cent to 5.50 per cent of their net demand and time liabilities (NDTL), with effect from the fortnight beginning January 28, 2012.

3. A copy of the relative notification UBD.(PCB).No./6/12.03.000/2011-12 dated January 25, 2012 is enclosed.

RBI/2011-12/371 RPCD.CO.RCB.BC.No.56/07.02.01/2011-12 dated January 25, 2012

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

All Scheduled State Co-operative Banks /
Regional Rural Banks

Please refer to our Circular RPCD.CO.RE. BC.No.75/07.02.01/2009-10 dated April 21, 2010 and RPCD.CO.RRB.No.73/03.05. 28(B)/2009-10 dated April 21, 2010 on the captioned subject.

2. The Reserve Bank in its Third Quarter Review of Monetary Policy 2011-12 issued on January 24, 2012, decided to reduce the Cash Reserve Ratio (CRR) of Scheduled State Co-operative Banks/Regional Rural Banks by 50 basis points from 6.00 per cent to 5.50 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning January 28, 2012.

3. A copy of the relative notification RPCD.CO.RCB. BC.No.55/07.02.01/2011-12 dated January 25, 2012 is enclosed.