

Regulatory and Other Measures

March 2010

RBI/2010-11/412 DBOD.No.Ret.BC/82/12.07.037/2010-11 dated March 1, 2011

Alteration in the name of 'The Dhanalakshmi Bank Limited' to 'Dhanlaxmi Bank Limited' in the Second Schedule to the Reserve Bank of India Act, 1934

All Scheduled Commercial Banks

We advise that the name of 'The Dhanalakshmi Bank Limited' has been changed to 'Dhanlaxmi Bank Limited' in the Second Schedule to the Reserve Bank of India Act, 1934 by Notification DBOD.PSBD.No. 7516/16.01.061/2010-11 dated November 03, 2010, published in the Gazette of India (Part III- Section 4) dated January 1, 2011.

RBI/2010-11/417 IDMD.PCD. 28/14.03.01/2010-11 dated March 7, 2011

Exchange-traded Interest Rate Futures

All RBI-regulated entities

It has been decided to introduce Interest Rate Futures on 91-Day Treasury Bills issued by Government of India. In this regard, Reserve Bank of India has issued an amendment direction IDMD.PCD.27/ED(HRK)-2010 dated March 7, 2011 under section 45W of the Reserve Bank of India Act, 1934, which has been placed on the Reserve Bank of India website (www.rbi.org.in).

2. A copy of the Direction is enclosed.

IDMD.PCD. 27/ED (HRK) - 2010 dated March 7, 2011

Interest Rate Futures (Reserve Bank) (Amendment) Directions, 2011

The Reserve Bank of India having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of the powers conferred by section 45W of

the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby amends the Directions contained in Notification FMD.MSRG.1/02.04.003/2009-10 dated August 28, 2009 (hereinafter referred to as 'Directions') as follows, namely -

1. In paragraph 3(i) of the Directions, after the words "are permitted on" and *before* the words "10-year notional coupon bearing Government of India security" the following words shall be inserted:

"91-Day Treasury Bills,"

2. Paragraph 4 of the Directions shall be amended to read as under -

4. Features of Interest Rate Futures

4.1 The 10-year Interest Rate Futures contract shall have the following features:

- a. The contract shall be on 10-year notional coupon bearing Government of India security.
- b. The notional coupon shall be 7% per annum with semi-annual compounding.
- c. The contract shall be settled by physical delivery of deliverable grade securities using the electronic book entry system of the existing Depositories, namely, National Securities Depositories Ltd. and Central Depository Services (India) Ltd. and Public Debt Office of the Reserve Bank.
- d. Deliverable grade securities' shall comprise GoI securities maturing at least 7.5 years but not more than 15 years from the first day of the delivery month with a minimum total outstanding stock of ' 10,000 crore. Exchanges may fix their own basket of securities for delivery from the deliverable grade securities in accordance with guidelines issued by the Securities Exchange Board of India from time to time.

4.2 The 91-Day T-Bill Futures shall have the following features:

- a. The contract shall be on 91-Day Treasury Bills issued by the Government of India.
- b. The contract shall be cash settled in Indian Rupees.
- c. The final settlement price of the contract shall be based on the weighted average price/yield obtained in the weekly auction of the 91-Day Treasury Bills on the date of expiry of the contract.

RBI/2010-11/423 DPSS (CO) CHD No. 2099/03.02.03/2010-11 dated March 14, 2011

Automation of non-MICR Clearing Houses – Implementation of a new Clearing Software – Express Cheque Clearing System

The Chairman and Managing Director/
Chief Executive Officer
All Scheduled Commercial Banks
including RRBs/UCBs/
State Co-operative Banks/District Central
Co-operative Banks

Reserve Bank of India (RBI) has been in the forefront of adopting technology for making the payment systems in the country efficient, modern and robust. Cheques continue to play a dominant role in our payment system landscape, more so in terms of volumes handled. Apart from the 66 MICR locations (handling around 85% of the total cheque volume and value) for mechanised processing and settlement of cheques, there are around 1,093 non-MICR centres as on date that use a software package for automating the clearing and settlement process. This Magnetic Media Based Clearing Software (MMBCS) has over the last two decades contributed towards automating the manually run Clearing Houses, providing back-up support to the MICR-CPCs, apart from handling the various changes recently brought about in the clearing process like payable-at-par cheques, Speed Clearing, full unwinding, etc. There was, however, a demand from banks for further refinements in terms of accepting

multi-user inputs in a networked environment, core-banking integration and graphic interface compatibility.

2. State Bank of India (SBI), the bank managing most number of clearing locations, was advised to lead the initiative to develop a new automation package complete with all required and latest features. The package developed through M/s Image InfoSystems Pvt. Ltd. (vendor), tentatively styled 'Express Cheque Clearing System' (ECCS) is now ready for deployment. The technical and commercial aspects of ECCS have been vetted by a Committee comprising of senior executives from SBI, other Clearing House managing banks, National Payments Corporation of India (NPCI) and National Clearing Cell-Nariman Point, Mumbai and successfully tested during live processing at a few Clearing Houses as well. Considering the improvements that ECCS would offer, it has been decided to roll-out the software across all non-MICR clearing locations in the country.

3. Given the challenges associated with a national roll-out of ECCS across a number of primary clearing locations, back-up managing banks, member banks and branches, the following approach has been adopted –

- a) National Payments Corporation of India (NPCI), as the umbrella organisation for retail payments in the country, to be vested with the responsibility for roll-out in all the clearing locations.
- b) NPCI to be the single point of contact for banks and the vendor, as also for change control, future updates, support issues, reporting to RBI, etc.
- c) The ownership of the application to be jointly vested with NPCI and SBI who would also be the beneficiary under the escrow arrangement for software with the vendor. They would also enter into a tripartite agreement with the vendor to implement, monitor and evaluate the Service Legal Agreement (SLA) and support committed by the vendor.
- d) NPCI to co-ordinate with National Clearing Cells at Regional Offices of RBI (NCCs) for ensuring a smooth roll-out.
- e) SBI to ensure roll-out in all clearing locations managed by itself and its associate banks.

- NPCI and SBI to co-ordinate for smooth roll-out.
- f) The entire process of roll-out to be completed within a time-frame of six months from April 1, 2011 *i.e.*, by September 30, 2011.
 - g) The technical and commercial aspects of the software as approved by the Committee of bankers are enclosed. Requisite training will be imparted before roll-out.
 - h) NPCI to share the roll-out plan (in consultation with the NCCs), as also the training schedule along with the hardware, software and other requirements, information about the SLA, support, escalation process, change request process, contact details, etc., with the Clearing Houses and member banks in advance.
 - i) NCCs to also communicate to the Clearing Houses under their jurisdiction and ensure that the entire process is well co-ordinated and controlled. The Clearing Houses would in turn communicate the requirements to their member banks as well.
 - j) Speed Clearing facility to be operationalised and enabled right from day one of implementation of the package.
4. Needless to add, the success and ease of roll-out pre-supposes a harmonious co-ordination amongst NPCI, NCCs, clearing locations and the member banks. We are sure you would extend complete support to this endeavour, including nominating a nodal officer, according requisite budget approvals, being in readiness with the required hardware and software, complying with the implementation schedule, nominating user staff for the training, providing IT resources to the team, *etc.*
5. Success of this major initiative will go a long way in modernising and refining the cheque clearing activities in the country apart from ensuring a smoother and inter-operable payment system. We shall be closely monitoring the project milestones and shall not hesitate to intervene at any stage to keep the implementation schedule on track.

6. Kindly acknowledge receipt and confirm that the needful will be in place.

Formation of New District in Uttar Pradesh – Assignment of Lead Bank Responsibility

The Chairman/CMD
All Lead Banks

The Revenue Department, Government of Uttar Pradesh vide their Gazette Notification No. 1858/1-5-2010-181-2002T.C.-Rev.-5 Lucknow dated July 01, 2010 has advised about the constitution of a new district viz. Chhatrapati Shahuji Maharaj Nagar with effect from July 01, 2010. The new district, with its headquarter at Gauriganj, has been carved out from the existing Raebareli & Sultanpur districts and comprises Tiloi, Salon, Amethi, Gauriganj and Jagdishpur talukas.

2. It has been decided to assign the lead bank responsibility of the new district viz. Chhatrapati Shahuji Maharaj Nagar to Bank of Baroda. The lead bank responsibility of existing Raebareli & Sultanpur districts will continue to be with Bank of Baroda.
3. There is no change in the lead bank responsibilities of other districts in the State.

RBI/2010-11/428 UBD.BPD. (PCB). Cir.No. 39/09.73.000/2010-11 dated March 15, 2011

Coins of 25 Paise and Below - Withdrawal from Circulation

The Chief Executive Officers,

All Primary (Urban) Co-operative Banks.

Please refer to the Govt. of India Gazette Notification S.O 2978(E) dated December 20, 2010 and the Reserve Bank Press Release dated February 1, 2011 on the above subject (copies enclosed).

2. The Government of India has decided to withdraw coins of denomination of 25 paise and below from circulation with effect from June 30, 2011. The Reserve Bank of India has instructed the banks maintaining

small coin depots to arrange for exchange of coins of denomination of 25 paise and below for their face value at their branches. The coins will be exchanged at the branches of these banks as also the offices of the Reserve Bank till the close of business on June 30, 2011. Coins of denomination of 25 paise and below will not be accepted for exchange at the bank branches from July 1, 2011 onwards. The UCBs may take note of the above instructions.

RBI/2010-11/429 DBOD.No.BP.BC.82/21.04.157/2010-11 dated March 16, 2011

Accreditation of Brokers in OTC Interest Rate Derivatives Market

The Chairman and Managing Directors/
Chief Executive Officers of

All Scheduled Commercial Banks (excluding RRBs and LABs) &

All India Term-Lending & Refinancing Institutions

Please refer to the circular DBOD.No.BP.BC.86/21.04.157/2006-07 dated April 20, 2007 on Comprehensive Guidelines on Derivatives, whereby banks, primary dealers and financial institutions have been permitted to undertake rupee interest rate derivatives transactions. It is advised that if banks and financial institutions decide to enter into OTC interest rate derivatives contracts through brokers, they should ensure that these brokers are accredited by the FIMMDA.

RBI/2010-11/430 RPCD.CO.Plan.BC. 55/04.09.01/2010-11 dated March 16, 2011

Data on Priority Sector Advances - Agricultural Lending

The Chairman/Managing Director/
Chief Executive Officer

(All Domestic Scheduled Commercial Banks)

Please refer to our circular RPCD.Plan.BC.62/04.09.41/2003-04 dated January 15, 2004, advising you

to furnish data on priority sector lending on a quarterly basis in the prescribed format.

2. It has been decided to discontinue the submission of the said statement effective from the period ended March 2011.

RBI/2010-11/433 UBD.BPD. (PCB).Cir.No. 40/13.01.000/2010-11 dated March 17, 2011

Exchange Traded Interest Rate Futures (IRFs) – UCBs

Chief Executive Officers of
All Primary (Urban) Cooperative Banks

Please refer to circular No. UBD (PCB) BPD. Cir No.17/13.01.000/2009-10 dated October 28, 2009 and UBD (PCB) BPD. Cir No.37/13.01.000/2009-10 dated December 21, 2009 on the captioned subject.

2. It has been decided to introduce Interest Rate Futures on 91-Day Treasury Bills issued by Government of India. In this regard, Reserve Bank of India has issued an amendment direction IDMD.PCD.27/ED(HRK)-2010 dated March 7, 2011 under section 45W of the Reserve Bank of India Act, 1934, which has been placed on the Reserve Bank of India website (www.rbi.org.in).

RBI/2010-11/441 DPSS.CO. OSD No. 2162/06.07.002/2010-2011 dated March 22, 2011

Reconciliation of Transactions at ATMs failure – Time limit Complaints Resolution with Banks

All authorized ATM Network Operators

All authorized ATM Networks provider/operator are advised to submit the quarterly data pertaining to resolution of complaints between ATM network operator and banks in the given excel format. The quarterly data should reach us within a month of completion of each quarter through email. It may also be ensured that the format and timelimit prescribed is strictly adhered to.

RBI/2010-2011/444 DPSS No. 2174/02.14.004/2010-2011 dated March 23, 2011

Issuance and Operation of Pre-paid Payment instruments in India - Clarification

All System Providers, System Participants and any prospective prepaid payment instrument Issuer.

We invite your attention to the directions issued by RBI vide RBI/2010-11/389 DBOD.AML.No. 77/14.01.001/2010-11 dated January 27, 2011 on the basis of a notification issued by the Government of India, (No. 14/2010/F.No.6/2/2007-E.S. dated December 16, 2010), amending the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005.

2. As per the notification an amendment has been made to Para 2 (d) of the PML Rules 2005 to incorporate the job card issued by NREGA duly signed by an officer of the State Government, and the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number as officially valid documents for identity.

3. Para 6.4 (ii) of the guidelines on prepaid instruments issued by RBI on April 27, 2009 permits issue of semi-closed prepaid cards upto ₹5000/- wherein customer due diligence can be carried out by accepting any officially valid document as defined under Rule 2(d) of the PMLA Rules 2005. Hence, job card issued by NREGA duly signed by an officer of the State Government, and the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number as quoted under Para 2 (d) of PML Rules 2005 can be considered by the issuer as officially valid document for identity while issuing such cards.

4. It may be noted that system providers shall continue to carry out full KYC as per KYC/AML/PML

guidelines mandated in terms of other provisions of the guidelines.

RBI/2010-11/449 DPSS. CO. PD 2224/02.14.003/2010-2011 dated March 29, 2011

Security Issues and Risk Mitigation Measures- Online Alerts to the Cardholder for Usage of Credit/debit Cards

The Chairman and Managing Director/
Chief Executive Officers

All Scheduled Commercial Banks including RRBs/
Union Co-operative Banks/State Co-operative Banks/
District Central Co-operative Banks

Attention of banks is invited to our circular RBI/2008-2009/387-RBI/DPSS. No. 1501/02.14.003/2008-2009 dated February 18, 2009, in terms of which banks were mandated to send online alerts to the cardholders for all Card Not Present (CNP) transactions for the value of ₹5000/- and above. This measure has been generally welcomed by customers, which enabled them to take prompt action if the card is misused. This measure goes a long way in arresting further perpetration of such fraudulent transactions.

2. Recently, incidents of unauthorized/fraudulent withdrawals at ATMs have come to the notice of RBI. It is important to arrest the incidents of such frauds in order to further encourage card based transactions in the country where the use of credit/debit cards plays an important role.

3. It is therefore decided that banks may take steps to put in place a system of online alerts for all types of transactions irrespective of the amount, involving usage of cards at various channels. This measure is expected to encourage further usage of cards at various delivery channels. Banks may implement this measure latest by June 30, 2011.

RBI/2010-11/451 RPCD.CO.RRB.BC No. 56/03.05.90-A/2010-11 dated March 29, 2011

Section 23 of Banking Regulation Act, 1949 - Relaxations in Branch Licensing Policy

The Chairmen

All Regional Rural Banks

Please refer to our circular RPCD.CO.RRB.BC No. 28/03.05.90-A/2010-11 dated November 18, 2010 on the captioned subject.

2. In this connection, we further advise that the RRBs eligible to open branches in Tier 3 to Tier 6 centres may do so without prior approval of RBI and approach the Regional Office of RBI for, post-facto automatic, issue of the licence/s. The licence should be displayed in the premise of the branch so opened for information of its customers/public to instill confidence in them that the bank branch is authorized to conduct banking business.

3. The details of the branches thus opened should be reported, in the format annexed, to the concerned Regional Office of RBI, the first such report being as on the quarter ended March, 2011.

RBI/2010-11/452 UBD. BPD. No. 41/12.05.001/2010-11 dated March 29, 2011

Collection of Account Payee Cheques – Prohibition on Crediting Proceeds to Third Party Accounts

The Chief Executive Officers

All Primary (Urban) Co-operative Banks

Please refer to circular UBD.BPD. Cir. No. 30/14.01.062/2005-06 dated January 30, 2006 advising UCBs that they should not collect cheques crossed "account payee" for any person other than the payee constituent.

2. It has been brought to our notice that since co-operative credit societies are not even sub-members of clearing houses, members of such co-operative credit societies who do not have bank accounts face difficulties in collection of account payee cheques

drawn in their name. With a view to mitigating the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, it is clarified that collecting banks may consider collecting account payee cheques drawn for an amount not exceeding Rs.50,000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative credit societies. While collecting the cheques as aforesaid, banks should obtain a clear undertaking in writing from the co-operative credit societies concerned that, upon realization, the proceeds of the cheques will be credited only to the account of the member of the co-operative credit society who is the payee named in the cheque. This shall, however, be subject to the fulfillment of the requirements of the provisions of Negotiable Instruments Act, 1881, including Section 131 thereof.

3. The collecting bank shall subject the society to the usual KYC norms and enter into an agreement with the society that the KYC documents in respect of the society's customers are preserved in the society's records and are available to the bank for scrutiny. The collecting banks should, however, be aware that in the event of a claim by the true owner of the cheque, the rights of the true owner of the cheque are not in any manner affected by this circular and banks will have to establish that they acted in good faith and without negligence while collecting the cheque in question.

4. Please acknowledge receipt of this circular to the Regional Office of Urban Banks Department concerned.

RBI/2010-11/453 DNBS.PD/CC.NO. 214/03.02.002/2010-11 dated March 30, 2011

NBFCs not to be Partners in Partnership Firms

All NBFCs

It has come to the notice of the Reserve Bank of India that some NBFCs have large investments in/have contributed capital to partnership firms.

2. In view of the risks involved in NBFCs associating themselves with partnership firms, it has been decided to prohibit NBFCs from contributing capital to any

partnership firm or to be partners in partnership firms. In cases of existing partnerships, NBFCs may seek early retirement from the partnership firms.

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RBI/2010-11/454 DBOD.No. Leg. BC. 83/09.07.005/
2010-11 dated March 30, 2011

The Banking Companies (Nomination) Rules, 1985 - Clarifications

All Scheduled Commercial Banks
(Excluding RRBs)

1. Witness in nomination forms

As you are aware, the Banking Companies (Nomination) Rules, 1985 have been framed in exercise of powers conferred by Section 52 read with Sections 45ZA, 45ZC and 45ZE of the Banking Regulation Act, 1949. The nomination forms (DA1, DA2 and DA3) have also been prescribed in the Nomination Rules. These forms, inter alia, prescribe that the thumb impression of the account holder is required to be attested by two witnesses. It has come to our notice that some banks also insist on attestation of signature by witnesses.

We have examined the issue in consultation with Indian Banks' Association and clarify that signatures of the account holders in forms DA1, DA2 and DA3 need not be attested by witnesses.

2. Nomination in case of joint Deposit Accounts

It is understood that sometimes the customers opening joint accounts with or without "Either or Survivor" mandate, are dissuaded from exercising the nomination facility.

It is clarified that nomination facility is available for joint deposit accounts also. Banks are, therefore, advised to ensure that their branches offer nomination

facility to all deposit accounts including joint accounts opened by the customers.

Banks are advised to ensure strict compliance of the instructions as per the clarification given above.

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RBI/2010-11/456 RPCD.CO.FID. BC.No.58/12.01.018/
2010-11 dated March 31, 2011

Establishment of Financial Literacy and Credit Counselling Centres

The Chairman & Managing Director/
Chief Executive Officer

All Scheduled Commercial Banks
(including Regional Rural Banks)

We invite your attention to our circular RPCD.CO.MFFI.BC.NO.86/12.01.018/2008-09 dated February 4, 2009 communicating a 'Model scheme' with regard to establishment of Financial Literacy and Credit Counselling Centres (FLCCs). In the Model Scheme, it was envisaged that in order to have maximum coverage, FLCCs may need to be set up at all levels, viz., block, district, town and city levels. Accordingly, banks were expected to initiate setting up of FLCCs.

2. However, the number of FLCCs opened in the country has been low and the pace of setting up such centres is not up to the desired extent in some States. There is considerable merit in concerns of some key stakeholders with regard to the inadequate number of FLCCs operating in States.

3. As you are aware, FLCCs are integral to financial inclusion and, therefore, it is imperative that more such centres are set up. You are, therefore, advised to set up FLCCs as envisaged in the Model scheme already communicated to you.