

Regulatory and Other Measures

March 2010

RBI/2009-10/339 UBD (PCB) BPD.Cir.No. 48/
13.01.000 / 2009-10 dated March 4, 2010

Chief Executive Officer All Primary (Urban)
Cooperative Banks

UCBs - Payment of Interest on Savings Bank Account on Daily Product Basis

Please refer to our circular UBD (PCB) BPD.Cir.No. 7/13.01.000/2009-10 dated September 1, 2009 advising banks to put in place requisite infrastructure so that transition to the revised procedure of calculating interest on balances in savings bank accounts on a daily product basis could be implemented smoothly.

2. We advise that payment of interest on savings bank accounts may be made by banks on a daily product basis with effect from April 1, 2010.

RBI/2009-10/353 Ref.No.MPD.BC. 328 /
07.01.279/2009-10 dated March 19, 2010

All Scheduled Banks [excluding Regional
Rural Banks] and Primary Dealers

Standing Liquidity Facilities for Banks and Primary Dealers

Please refer to the Reserve Bank's Press Release 2009-10/1263 dated March 19, 2010, in terms of which the fixed repo rate under the Liquidity Adjustment Facility (LAF) has been increased by 25 basis points from 4.75 per cent to 5.0 per cent with immediate effect.

2. Accordingly, the standing liquidity facilities provided to banks (export credit refinance) and primary dealers (PDs) (collateralised liquidity support) from the

Reserve Bank would be available at the revised repo rate, *i.e.*, at 5.0 per cent with effect from March 20, 2010.

RBI/2009-2010/351 FMD.MOAG. No.42/
01.01.01/2009-10 dated March 19, 2010

All Scheduled Commercial Banks (excluding
RRBs) and Primary Dealers

Liquidity Adjustment Facility – Repo And Reverse Repo Rates

As a part of the calibrated exit strategy initiated in the Second Quarter Review in October 2009 and carried forward in the Third Quarter Review in January 2010, the Reserve Bank of India has decided to raise the repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 4.75 per cent to 5.00 per cent and the reverse repo rate under the LAF by 25 basis points from 3.25 per cent to 3.50 per cent with immediate effect.

2. All other terms and conditions of the current LAF Scheme will remain unchanged.

RBI 2009-10/371 DBOD.No.BP.BC. 82 /
21.04.048/2009-10 dated March 30, 2010

The Chairman / CMD / MD / CEO
All Scheduled Commercial Banks (including
Local Area Banks) (Excluding RRBs)

Agricultural Debt Waiver and Debt Relief Scheme, 2008 – Prudential Norms on Income Recognition, Asset Classification, Provisioning and Capital Adequacy

Please refer to our circulars DBOD.No.
BP.BC.26/21.04.048/2008-09 dated July 30,
2008, DBOD.No.BP.BC.112/21.04.048/2008-09
dated March 5, 2009, DBOD.No.BP.BC.140/

21.04.048/2008-09 dated June 25, 2009, and
DBOD.No.BP.BC.35/21.04.048/2009-10 dated
August 31, 2009 on the captioned subject.

2. In terms of the circular dated August 31,
2009, we had advised that the Government
of India had decided to make the accounts
of "other farmers" eligible for a debt relief
of 25 per cent from Government of India,
provided they pay their entire share of
75 per cent by December 31, 2009.

3. In view of the recent drought in some
States and the severe floods in some other
parts of the country, the Government of
India, as announced in the Union Budget
2010-11, has now decided to extend the last
date of payment of 75 per cent of overdue
portion by the 'other farmer' under Debt
Relief Scheme (under ADWDR) for another
six months beyond December 31, 2009, *i.e.*
up to June 30, 2010. The eligible "other
farmers" may be allowed to repay this
amount in one or more instalments up to
June 30, 2010.

4. The Government of India has also
advised that the banks / lending institutions
are allowed to receive even less than
75 per cent of the eligible amount under
OTS provided the banks / lending institutions
bear the difference themselves and do not
claim the same either from the Government
or from the farmer. The Government will
pay only 25 per cent of the actual eligible
amount under debt relief.

5. The Government has once again clarified
that the lending institutions would not
charge any interest on the eligible amount
for the period from February 29, 2008 to
June 30, 2009. However, they may charge
normal rate of interest on the eligible amount from

July 01, 2009 up to the date of settlement. Further, no interest shall be paid by the Government of India to the lending institutions for this six month extension under the Scheme while reimbursing the 25 per cent amount to the lending institutions as per the delayed reimbursement schedule.

6. Where the farmers covered under the Debt Relief Scheme have given the undertaking, agreeing to pay their share under the OTS, their relevant accounts may be treated by banks as "standard" / "performing" provided :

- (a) adequate provision is made by the banks for the loss in present value (PV) terms for all the receivables due from the borrowers. (For computing the amount of loss in PV terms under the Scheme, the balance amount receivable from the farmers may be assumed to be due on June 30, 2010, and the interest payments would be as per paragraph 5 above. The cash flows should be discounted to the present value at the interest rate at which the loan was

granted including the element of interest subsidy, if any, available from the Government.)

- (b) such farmers pay their share of the settlement latest by the revised last date, *i.e.* June 30, 2010.

7. In case, however, the payments are delayed by the farmers beyond June 30, 2010, the outstanding amount in the relevant accounts of such farmers shall be treated as NPA. The asset classification of such accounts shall be determined with reference to the original date of NPA, (as if the account had not been treated as performing in the interregnum based on the aforesaid undertaking). On such down-gradation of the accounts, additional provisions as per the extant prudential norms should also be made.

8. The accounting treatment for the Debt Relief Scheme as indicated in paragraph 6 of our circular dated August 31, 2009, may continue to be followed.

9. All other terms of the aforesaid circulars including provisioning remain unchanged.