

Regulatory and Other Measures

October 2010

RBI/2010-11/ 222 Ref. No. DBOD.BP.BC.No.47/
21.01.001/2010-11 dated October 1, 2010

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

The Chairmen/Chief Executives of
All Scheduled Commercial Banks
(excluding RRBs & LABs)

Please refer to our circular
DBOD.BP.BC.No.32/21.01.001/2009-10 dated
August 27, 2009 on the captioned subject, in
which it has been stated that the practice of
collection of cheques crossed 'account payee'
through third party accounts (of co-operative
credit societies) is not permissible. However,
to facilitate collection of cheques from a
payment system angle, it has been clarified
therein that sub-members of the clearing
houses may collect the cheques of their
customers for the credit to their accounts
through the sponsor member, under certain
circumstances referred to therein.

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
have difficulties in collection of account
payee cheques drawn in their name. With a
view to mitigate the difficulties faced by the
members of co-operative credit societies in
collection of account payee cheques, it is
further clarified that collecting banks may
consider collecting account payee cheques
drawn for an amount not exceeding
₹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 have a clear representation in writing given by the co-operative credit societies concerned that, upon realisation, 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 also carry out proper due diligence with respect to such co-operative credit societies and ensure that KYC documents of the customers are preserved in the society's records and are available to the bank for scrutiny.

4. 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.

RBI/2010-11/223 Ref. No. DBOD.No.BP.BC.48/
21.06.001/2010-11 dated October 1, 2010

Prudential Norms for Off-Balance Sheet Exposures of Banks – Bilateral Netting of Counterparty Credit Exposures

All Scheduled Commercial Banks
(Excluding Local Area Banks and Regional Rural Banks)

As you are aware, in terms of our extant instructions issued vide our Master

Circular – 'Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy', DBOD.No.,BP.BC.15/21.06.001/2010 - 11 dated July 1, 2010, banks have been advised to adopt 'Current Exposure Method' for estimating their credit equivalent amount for interest rate and foreign exchange derivative transactions and gold. The credit equivalent amount is used for the purposes of capital adequacy and exposure norms.

2. On receipt of requests from banks, the issue of allowing bilateral netting of counterparty credit exposures, in such derivative contracts, has been examined within the existing legal framework. Since the legal position regarding bilateral netting is not unambiguously clear, it has been decided that bilateral netting of mark-to-market (MTM) values arising on account of such derivative contracts cannot be permitted. Accordingly, banks should count their gross positive MTM value of such contracts for the purposes of capital adequacy as well as for exposure norms.

RBI/2010-11/228 Ref. No. DBOD.BP.No. 49/
21.04.132/2010-11 dated October 7, 2010

Prudential Guidelines on Restructuring of Advances by Banks

The Chairmen and Managing Directors /
Chief Executive Officers of
All Scheduled Commercial Banks
(excluding RRBs)

Please refer to our Master Circular
DBOD. No. BP. BC.21/21.04.048/2010-11
dated July 1, 2010 on 'Prudential Norms on

Income Recognition, Asset Classification and Provisioning pertaining to Advances'.

2. In terms of para 14.2.2 (iv) of the above circular, promoters' sacrifice and additional funds brought by them should be a minimum of 15 per cent of banks' sacrifice. The additional funds are required to be brought in by the promoters upfront and not be phased over a period of time.

3. It has been represented to us by banks and Indian Banks' Association that corporates under stress are finding it difficult to bring in the promoters' share of sacrifice and additional funds upfront on some occasions. Therefore, it has been decided that:

- i) The promoter's sacrifice and additional funds required to be brought in by the promoters should generally be brought in upfront. However, if banks are convinced that the promoters face genuine difficulty in bringing their share of the sacrifice immediately and need some extension of time to fulfil their commitments, the promoters could be allowed to bring in 50 per cent of their sacrifice, i.e. 50 per cent of 15 per cent, upfront and the balance within a period of one year.
- ii) However, in case the promoters fail to bring in their balance share of sacrifice within the extended time limit of one year, the asset classification benefits derived by banks in terms of para 14.2.2 of the above circular will cease to accrue and the banks will have to revert to classifying such accounts as per the asset classification norms specified under para 11.2 of our above circular.

4. We further clarify that contribution by the promoter need not necessarily be brought in cash and can be brought in the form of de-rating of equity, conversion of unsecured loan brought by the promoter into equity and interest free loans.

RBI/2010-11/229 Ref. No. DGBA.GAD.No. H. 2444 /42.01.011/2010-11 dated October 8, 2010

The Chairman & Managing Director/
Managing Director
State Bank of India and its Associates/
All Nationalised Banks and
Jammu & Kashmir Bank Ltd.

Permissible Period for Remittance of E-payments into Government account by Public Sector Banks

Please refer to our circular letter No.RBI./2008/09/97 (Ref. DGBA. GAD. No.H-549/42.01.011/2008-09 dated July 18, 2008) on the above subject.

2. In this context, we advise that a Committee was constituted by the Controller General of Accounts, Ministry of Finance, Government of India, to review the permissible period for transfer of funds to Government account in case of e-payment and other related issues. The Committee recommended that the remittance norm of T+1 working day (including put through date) for e-payment as applicable for Private Sector Banks may also be made applicable for the Public Sector Banks.

3. Based on the recommendations of the Committee, it has now been decided that the remittance period in respect of all

Government transactions made through e-payments in respect of Public Sector Banks will be T+1 working day (including put through date) w.e.f. November 1, 2010.

4. You may, therefore, arrange to remit the Government revenue accordingly.

RBI/2010-11/230 Ref. No. DPSS (CO) EPPD No. 788/ 04.03.01/2010-11 dated October 8, 2010

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

Furnishing Remitter Details in Pass Book/Pass Sheet /Account Statement for Credits Received by Customers through NEFT/NECS/ECS

The volumes handled by the retail electronic payment products, viz. National Electronic Funds Transfer (NEFT), National Electronic Clearing Service (NECS) and Electronic Clearing Service (ECS) variants are considerably increasing, which is indicative of their acceptability and popularity. Concomitant service delivery levels at banks should match customer requirements and expectations.

2. Complaints about incomplete details about the remitter (or beneficiary) and/or the source of credit (or debit) in the pass books/pass sheets/account statements, as also lack of uniformity across banks in providing even such minimal information are rising. A very generic mention as 'NEFT' or 'NECS' does not help customers in identifying the source of credits, particularly

where multiple credits are afforded to their accounts through these products. The Procedural Guidelines on NEFT/NECS/ECS and various circulars issued from time to time clearly highlight the minimum information that should be provided to customers.

3. The Core Banking Solutions (CBS) of banks should be enabled to capture complete information from the relevant fields in the messages/data files which can be displayed to customers when they access their accounts online or provided to them additionally when they approach the branch counters/help desks/call centres. In the interest of straight-through capture of details from messages/data files and standardising the minimum information to be given in the pass books/pass sheets/account statements issued to customers, banks are advised to ensure the following –

a) NEFT

Message N-02 - Inward transactions

The mandatory field 6091 contains the remitter's name, which should be picked up for the source of credit and information contained should be printed in the pass book/account statement. Banks originating transactions should ensure proper and meaningful details are provided in this field. Description of field 6091 is -

M	6091	Sending customer a/c name	50x	Sender's account name
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There is an optional field with tag 7495 that enables inclusion of additional sender-to-receiver information. Destination banks should capture and store this information in their CBS/other systems as

appropriate, to be provided to the customer on request.

Message N-07 - Return transactions

M	2006	Related reference number	16x	Transaction reference number of the received inward credit message at bank branch that is returned
M	6366	Rejection code	50x	Description of the reason for rejection

Destination banks may also explore the possibility of using the Unique Transaction Reference (UTR) number to link/retrieve the original message received by them, based on which additional information can be provided as a service initiative when customers make requests online or through call centres.

The extant prescriptions relating to the information to be provided (a) to the remitters for transactions originated by them, and (b) transactions that are returned, shall continue to be applicable.

b) NECS/ECS Variants

The fields "user name" and "user credit reference" (serial numbers '9' and '10' in the credit contra record) have a length of 33 (20 and 13) characters which should be printed in the pass book/account statement.

Sponsor banks need to advise user institutions to fill in these fields meaningfully, so that relevant information is passed on to the customers.

4. In addition to the above, banks are free to provide any additional details as they deem necessary or useful.

5. It is incumbent on the originating banks to ensure that all the relevant information as is provided to them is captured in the relevant fields in messages/data files.

6. Please acknowledge and ensure compliance with the requirements latest by January 1, 2011. These instructions are being issued under the powers conferred on the Reserve Bank of India by the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

RBI/2010-11/232 Ref. No. RPCD.CO.RRB.BC No. 23/03.05.33/2010-11 dated October 13, 2010

The Chairmen
All Regional Rural Banks

Opening of No-Frills Accounts by Students for Availing Various Government Scholarships

It has been brought to our notice by the Secretary, Government of India, Ministry of Minority Affairs that banks are not opening 'no-frills' accounts in favour of students from minority communities who wish to avail of the scholarships being awarded by the Ministry through the State/UT Governments. This is causing hardship to the applicants for scholarship schemes of the Government and is inviting criticism.

2. In this connection, we draw your attention to our circular RPCD.CO.No. RRB.BC.58/03.05.33(F)/2005-06 dated December 27, 2005 with regard to opening of no-frills accounts by Regional Rural Banks. You are advised to ensure opening of no-frills accounts or other accounts for

students from minority communities and other disadvantaged groups to enable them to avail of various scholarships or other benefits offered by the Government. However, while opening such accounts, KYC norms as appropriate may be followed for the purpose.

RBI/2010-11/234 Ref. No. DBOD.FID.FIC.No.6 /01.02.00 /2010-11 dated October 14, 2010

The CEOs of select All-India Term Lending and Refinancing Institutions
(Exim Bank, NABARD, NHB and SIDBI)

Prudential Guidelines on Restructuring of Advances by Select All-India Financial Institutions (AIFIs)

In continuation of our letter DBOD.No.FID.FIC.5/01.02.00/2008-09 dated February 26, 2009 on the captioned subject, please find enclosed Circular DBOD No.BP.No. 49/ 21.04.132/2010-11 dated October 7, 2010 on 'Prudential Guidelines on Restructuring of Advances by Banks' issued to scheduled commercial banks. In this connection, it is advised that these guidelines, shall apply mutatis mutandis to the select All-India Financial Institutions (AIFIs).

2. However, certain activities are generally not undertaken by FIs, such as extending working capital, overdrafts and personal loans, etc. The provision of the circular relating to such activities shall not be applicable to the AIFIs.

RBI/2010-11/235 Ref. No. DPSS (CO) EPPD No./863/04.03.01/2010-11 dated October 14, 2010

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

Electronic Payment Products - Processing Inward Transactions based Solely on Account Number Information

As you are aware, the Reserve Bank of India has introduced various electronic payment products (RTGS, NEFT, NECS and the ECS variants) to facilitate electronic transfer of funds in a secure and efficient manner. The volume of transactions routed through these products has witnessed substantial growth, indicating the acceptance and ease of use, by bank branches and customers alike.

2. The electronic payment products rely extensively on technology for origination, movement, processing and ultimate settlement of instructions. You would agree that any manual intervention not only delays completion of the instruction but also provides scope for error and fraudulent intent. Implementation of core banking solutions (CBS) in banks, software interfaces connecting the CBS platform to the payment system gateways and internet access to customers have been major enablers towards providing a straight-through-processing (STP) environment and, thus, popularising these products.

3. In the CBS environment customers of a bank can be uniquely identified by their account number across branches. In terms

of the extant Procedural Guidelines for RTGS/NEFT/NECS/ECS Credit, however, banks are generally expected to match the name and account number information of the beneficiary before affording credit to the account. In the Indian context, given the many different ways in which beneficiary names can be written, it becomes extremely challenging to perfectly match the name field contained in the electronic transfer instructions with the name on record in the books of the destination bank. This leads to manual intervention hindering STP and causing delay in credit or due return of uncredited instructions.

4. Being essentially credit-push in nature, responsibility for accurate input and successful credit lies with the remitting customers and the originating banks. The role of destination banks is limited to affording credit to beneficiary's account based on details furnished by the remitter/originating bank. In order to handle surging volumes in a limited time window, some banks use name matching software, while a few others employ a risk-based approach based on the nature and value of transfer.

5. Keeping in view the foregoing, in the RTGS/NEFT/NECS/ECS Credit products, it has since been decided as under :

i. Responsibility to provide correct inputs in the payment instructions, particularly the beneficiary account number information, rests with the remitter/originator. While the beneficiary's name shall be compulsorily mentioned in the instruction request, and carried as part of the funds transfer message, reliance

will be only on the account number for the purpose of affording credit. This is applicable both for transaction requests emanating at branches and those originated through the online/internet delivery channel. The name field in the message formats will, however, be a parameter to be used by the destination bank based on risk perception and/or use for post-credit checking or otherwise.

- ii. Originating banks may put in place an appropriate maker-checker system to ensure that the account number information furnished by their customers is correct and free from errors. This may entail advising customers enjoying online/internet banking facilities to input the account number information more than once (with the first time feed being masked as in case of change of password requirements) or such other prescriptions. Customers submitting funds transfer requests at branches may be required to write down the account number information twice in the application form.
- iii. For transactions requested at branches, the originating bank shall put in place a maker-checker process with one employee expected to input the transaction and the other checking the input.
- iv. Banks should put suitable disclaimers on the funds transfer screens in the online/internet banking platform and funds transfer request forms advising customers that credit will be effected based solely on the beneficiary account number information and the

- beneficiary name particulars will not be used therefor.
- v. Destination banks may afford credit to the beneficiary's account based on the account number as furnished by remitter/originating bank in the message/data file. The beneficiary's name details may be used for verification based on risk perception, value of transfer, nature of transaction, post-credit checking, etc.
 - vi. Member banks shall take necessary steps to create awareness amongst their customers about the need for providing correct account number information while making payments through RTGS/NEFT/NECS/ECS Credit.
 - vii. The system of providing mobile/e-mail alerts to customers for debit/credit to their accounts will be another way of ensuring that the debits/credits are genuine and put through/expected by them, and preferably, should be extended to all customers for all funds transfer transactions irrespective of value.
 - viii. The above notwithstanding, in cases where it is found that credit has been afforded to a wrong account, banks need to establish a robust, transparent and quick grievance redressal mechanism to reverse such credits and set right the mistake and/or return the transaction to the originating bank. This particularly needs to function very efficiently and pro-actively till such time customers are comfortable with the new arrangements.
6. These modifications are equally applicable to ECS Debit transactions to be used by destination banks for debiting their customer accounts based on details furnished by the user institutions/sponsor banks.
 7. Banks are hereby advised to put in place appropriate systems and procedures to ensure compliance with the above prescriptions. The guidelines are issued under the powers vested with Reserve Bank of India under Section 10(2) of the Payment & Settlement Systems Act, 2007 and would come into effect from January 1, 2011. The instructions would be reviewed and suitable changes will be effected, if necessary, based on operational experience and general feedback.
 8. Please confirm receipt of this circular.

RBI/2010-11/236 Ref. No. UBD.BPD.(PCB).
Cir. No 4/16.12.000/2010-11 dated October
11, 2010

The Chief Executive Officer,
All AD Category – I Primary (Urban)
Co-operative Banks.

Guidelines on Trading of Currency Options on Recognised Stock/ New Exchanges – Participation of UCBs

Reserve Bank of India has issued Guidelines on Trading of Currency Options on Recognised Stock/New Exchanges vide A.P (DIR Series) Circular No.05 dated July 30, 2010 (copy enclosed). Accordingly it has been decided to allow AD Category – I UCBs, fulfilling the norms for AD – I license (listed

in Annexure I of Circular UBD.PCB.Cir No. 21/16.12.000/06-07 dated November 27, 2006) to participate in the exchange traded currency option market of a designated exchange recognized by SEBI, only as clients, subject to RBI (Foreign Exchange Department) Guidelines, referred to above. Participation will be allowed only for hedging underlying forex exposure arising from customer transactions.

2. UCBs which are authorized to undertake forex business as AD category – I and desirous of participating in the exchange traded currency option market may approach Reserve Bank of India, Urban Banks Department, Central Office, Mumbai for specific approval in this regard.

RBI/2010-11/242 Ref. No. DNBS (PD) CC.No.203/03.10.001/2010-2011 dated October 22, 2010

All Infrastructure Finance Companies

Long Term Infrastructure Finance Bonds issued by Infrastructure Finance Companies (IFCs) under Section 80CCF of the Income Tax Act, 1961 - Exemption from the definition of "public deposit"

It may be recalled that the Central Government, vide Notification No.48/2010/E.No.149/84/2010-SO (TPL) dated July 09, 2010, has specified certain bonds as long term infrastructure bonds for the purposes of Section 80CCF of Income Tax Act, 1961 viz., bonds issued by Industrial Finance Corporation of India, Life Insurance Corporation, Infrastructure Development Finance Company and a Non-Banking

Finance Company classified as an Infrastructure Finance Company by the Reserve Bank of India.

2. It is accordingly advised that amount raised by issue of infrastructure bonds by Infrastructure Finance Companies, as specified in the notification issued from time to time by the Central Government under Section 80CCF of the Income Tax Act, 1961, shall not be treated as 'public deposit' within the meaning of paragraph 2(1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

3. Notification issued in this regard, DNBS (PD) Notification No.216(US)/2010 dated October 22, 2010, amending the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, is enclosed.

**Reserve Bank of India
Department of Non-banking Supervision
Central Office
Centre I, World Trade Centre,
Cuffe Parade, Colaba,
Mumbai 400 005.**

**Notification No. DNBS.(PD) 216/
CGM(US)-2010 dated October 22 , 2010**

The Reserve Bank of India, having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, contained in Notification No.DFC.118/DG

(SPT)/98 dated January 31, 1998, in exercise of the powers conferred by sections 45J, 45K, 45L and 45-MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions shall be amended with immediate effect as follows -

Amendment of paragraph 2 -

In clause (xii) of sub-paragraph (1), after sub-clause (l), the following sub-clause (m) shall be inserted -

"(m) any amount raised by the issue of infrastructure bonds by an Infrastructure Finance Company, as specified in the notification issued from time to time by the Central Government under section 80CCF of the Income Tax Act, 1961."

RBI/2010-2011/243 Ref. No. RBI/DPSS No.914/02.14.003/2010-2011 dated October 25, 2010

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 card payment networks

**Credit/Debit Card transactions-
Security Issues and Risk
mitigation measures for Card Not
Present Transactions**

We had vide our circular RBI/2008-2009/ 387, DPSS No. 1501/02.14.003/2008-2009, dated February 18, 2009, mandated that with effect from August 01, 2009, banks

shall provide an "additional authentication/validation based on information not visible on the cards for all on-line card not present transactions". (*This mandate has been extended to all IVR transactions with effect from January 01, 2011, vide our circular RBI/2009-2010/420, DPSS No. 2303/02.14.003/2009-2010 April 23, 2010*)

2. We have been receiving references regarding the applicability of this mandate for online transactions effected using cards issued by banks outside India on Indian merchant sites, and the use of Indian cards for transactions on foreign websites.

3. In this regard, it is clarified that the mandate shall apply to all transactions using cards issued in India, for payments on merchant site where no outflow of foreign exchange is contemplated. The linkage to an overseas website/payment gateway cannot be the basis for permitting relaxations from implementing the mandate.

4. The mandate is not presently applicable for use of cards issued outside India, on Indian merchant sites.

RBI/2010-11/245 Ref. No. DBOD. AML. BC. No. 50/14.01.001/2010-11 dated October 26, 2010

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

**Opening of Bank Accounts -
Salaried Employees**

Please refer to our Master Circular on Know Your Customer (KYC) norms /Anti-Money Laundering (AML) standards/

Combating of Financing of Terrorism (CFT)/ Obligation of banks under PMLA, 2002 issued to banks vide DBOD.AML.BC.No.2/14.01.001/2010 – 11 dated July 01, 2010. In Annex I to the circular an indicative list of the nature and type of documents/information that may be relied upon for customer identification and address verification for opening bank accounts has been given.

2. It has been brought to our notice that for opening bank accounts of salaried employees some banks rely on a certificate/letter issued by the employer as the only KYC document for the purposes of certification of identity as well as address proof. Such a practice is open to misuse and fraught with risk. It is, therefore, clarified that with a view to containing the risk of fraud, banks need to rely on such certification only from corporates and other entities of repute and should be aware of the competent authority designated by the concerned employer to issue such certificate/letter. Further, in addition to the certificate from employer, banks should insist on at least one of the officially valid documents as provided in the Prevention of Money Laundering Rules (viz. passport, driving licence, PAN Card, Voter's Identity card etc.) or utility bills for KYC purposes for opening bank account of salaried employees of corporates and other entities.

3. These guidelines are issued under Section 35A of the Banking Regulation Act, 1949 and Rule 7 of 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. Any contravention thereof or non-compliance shall attract penalties under Banking Regulation Act.

RBI/2010-11/247 Ref. No.
DBOD.FID.FIC.No 7/01.02.00 /2010-11
dated October 28, 2010

The CEOs of select All-India Term Lending and Refinancing Institutions
(Exim Bank, NABARD, NHB and SIDBI)

Prudential Norms on Investment in Zero Coupon Bonds

Please find enclosed circular DBOD No. BP .BC .44 /21.04.141/ 2010-11 dated September 29, 2010 on the above subject. In this connection, it is advised that the above guidelines issued to banks, shall mutatis mutandis apply to the select All-India Financial Institutions (AIFIs)

RBI/2010-11/248 Ref. No.
DBOD.No.BP.BC.51/21.06.101/2010-11
dated October 28, 2010

The Chairman and Managing Directors /
Chief Executive Officers of
All Scheduled Commercial Banks
(excluding RRBs and LABs)

Banks permitted to Participate in Currency Options on Recognised Stock/New Exchanges

Introduction of Exchange Traded Currency Options –
Permitting Banks to Participate in
Currency Options
on Recognized Stock/New Exchanges

Please refer to RBI/2010-11/147 A.P. (DIR Series) Circular No. 05 dated July 30, 2010 containing guidelines on Trading of Currency Options on Recognised Stock/ New Exchanges issued by Foreign Exchange Department (copy enclosed). In this connection, we advise as under:

- i. AD Category - I commercial banks which fulfill the minimum prudential requirements under para 6(ii) of the Foreign Exchange Department circular referred to above, are hereby permitted to become trading and clearing members of the exchange traded currency options market of the recognized stock exchanges, on their own account and on behalf of their clients.
- ii. All other scheduled commercial banks are permitted to participate in the exchange traded currency options market only as clients.

RBI/2010-11/249 Ref. No. DBOD.Dir.BC.52 / 13.03.00/2010-11 dated October 28, 2010

All Scheduled Commercial Banks
(excluding RRBs)

Banks' Exposure to Capital Market - Issue of Irrevocable Payment Commitments (IPCs)

Please refer to our circular No. DBOD.Dir.BC.46/13.03.00/2010-11 dated September 30, 2010 in terms of which certain risk mitigation measures were prescribed in the context of banks issuing IPCs to various Stock Exchanges on behalf of Mutual Funds and FIIs, as a transitional arrangement upto October 31, 2011.

2. Custodian banks have expressed operational difficulties in complying with the requirement of incorporating a clause in the agreement with their clients which gives them an inalienable right over the securities to be received as payout in any settlement before November 1, 2010. Accordingly, it has been decided to grant an additional period of two months i.e. upto December 31, 2010, to the custodian banks to fulfil this requirement.

3. It is also clarified that in cases where transactions are pre-funded i.e. there are clear INR funds in the customer's account and, in case of FX deals, the bank's nostro account has been credited before the issuance of the IPC by custodian banks, the requirement of the clause of inalienable right over the security to be received as payout in the agreement with the clients will not be insisted upon.

RBI/2010-11/251Ref.DBOD.No.Ret.BC. 54/ 12.02.001/2010-11 dated October 29, 2010

All Scheduled Commercial Banks

Section 24 of Banking Regulation Act, 1949- Shortfall in Maintenance of Statutory Liquidity Ratio (SLR) – Additional Liquidity Support under Liquidity Adjustment Facility (LAF)

As stated in the Reserve Bank's press release issued today, in order to provide liquidity comfort arising out of frictional liquidity pressure, a special 2-day repo auction under the LAF will be conducted at 10.30 a.m. on Saturday, October 30, 2010.

OTHER
ITEMS

Regulatory
and
Other
Measures

Scheduled Commercial Banks may avail of additional liquidity support under the LAF to the extent of up to 1.0 per cent of their net demand and time liabilities (NDTL) as on October 8, 2010. It is advised that for any shortfall in maintenance of statutory

liquidity ratio (SLR) on October 30-31, 2010 arising out of avilment of this facility, banks may seek waiver of penal interest purely as an *ad hoc*, temporary measure. This facility will be available only on Saturday, October 30, 2010.