

Regulatory and Other Measures

November 2011

RBI/2011-12/245DBOD.BP.BC.No. 45/08.12.015/2011-12 dated November 3, 2011

Guidelines on Commercial Real Estate (CRE)

All Scheduled Commercial Banks (excluding RRBs)

Please refer to the circular DBOD. No. Dir. (Hsg). BC.31/08.12.001/2009-10 dated August 27, 2009 on 'Finance for Housing Projects'. Banks were advised, *inter-alia*, to stipulate a clause, in the terms and conditions of granting finance to specific housing/development projects, regarding disclosure of mortgage of property to the bank in the Pamphlets/Brochures/Advertisements etc., which may be published by developer/owner inviting public at large to purchase flats and properties.

2. On a review, it has been decided that the provisions contained therein will be, *mutatis-mutandis*, applicable to Commercial Real Estate also.

RBI/2011-12/253UBD. BPD. (PCB) No. 8/12.05.001/2011-12 dated November 9, 2011

UCBs – KYC Norms – Letter Issued by UIDAI Containing Details of Name, Address and Aadhaar Number

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

Please refer to circular UBD. BPD. (PCB). No. 38/12.05.001/2010-11 dated March 15, 2011 enclosing a copy of the Government of India Notification No. 14/2010/F.No. 6/2/2007-ES dated December 16, 2010 notifying 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) Third Amendment

Rules, 2010. The said notification, *inter alia*, recognizes the letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number, as an officially valid document under Rule 2(1) (d) of the PML Rules, 2005.

2. In this connection, attention of UCBs is invited to paragraph 2.4 (d) of the Master Circular on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) Standards/Combating of Financing of Terrorism (CFT)/Obligation of Banks under Prevention of Money Laundering (PMLA), 2002 dated July 01, 2011, dealing with customer identification and it is advised 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.

RBI/2011-12/255RPCD.MSME & NFS. BC.No. 29/06.11.01/2011-2012 dated November 4, 2011

Scheme of 1 per cent Interest Subvention on Housing Loans upto ₹10 lakh – Guidelines

The Chairman/Managing Director
All Scheduled Commercial Banks (excluding RRBs)

Please refer to our circular RPCD.SME & NFS. BC. No. 62/06.11.01/2010-11 dated April 21, 2011 on the captioned subject. In this connection, it is now clarified as under:

- a) The Scheme is extended up to March 31, 2012.
- b) Loans sanctioned and disbursed between October 01, 2009 and March 31, 2011 are outside the ambit of the new liberalised Scheme and they will be treated as per old instructions (*i.e.* loans up to ₹10.00 lakh with project cost up to ₹20.00 lakh)

Banks may continue to claim reimbursement, at present, as per the original Scheme. For claims in

respect of the new Scheme, revised instructions would follow.

2. All other terms and conditions of the interest subvention Scheme remain the same.

RBI/2011-12/256RPCD.CO.RRB.BC.No. 30/03.05.33/2011-12 November 11, 2011

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

The Chairmen
All Regional Rural Banks (RRBs)

Please refer to our circular RPCD. CO. RF. BC. No. 78/07.38.03/2005-06 dated April 27, 2006 in terms of which RRBs are prohibited from crediting 'account payee' cheque to the account of any person other than the payee named therein.

2. In view of concerns raised that these instructions are not being adhered to, we reiterate that banks shall strictly adhere to the instructions contained in our circular referred to above and not collect account payee cheques for any person other than the payee constituent.

3. With a view to mitigating the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, relaxation was extended vide our circular RPCD.CO.RRB.BC. No.25/03.05.33/2010-11 dated October 19, 2010. In terms of the said circular, RRBs 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. The above relaxation will continue as hitherto, subject to the conditions outlined in the circular dated October 19, 2010 referred to above.

4. RRBs may note that the above prohibition and relaxation shall also extend to drafts, pay orders and bankers' cheques.

RBI/2011-12/260RPCD.CO RRB. AML.BC.NO. 31/03.05.33(E)/2011-12 dated November 16, 2011

Payment of Cheques/Drafts/Pay Orders/ Banker's Cheques

The Chairmen, All Regional Rural Banks (RRBs)

In India, it has been the usual practice among bankers to make payment of only such cheques and drafts as are presented for payment within a period of six months from the date of the instrument.

2. It has been brought to the notice of Reserve Bank by Government of India that some persons are taking undue advantage of the said practice of banks of making payment of cheques/drafts/pay orders/banker's cheques presented within a period of six months from the date of the instrument as these instruments are being circulated in the market like cash for six months. Reserve Bank is satisfied that in public interest and in the interest of banking policy it is necessary to reduce the period within which cheques/drafts/pay orders/banker's cheques are presented for payment from six months to three months from the date of such instrument. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, Reserve Bank hereby directs that with effect from April 1, 2012, RRBs should not make payment of cheques/drafts/pay orders/banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of three months from the date of such instrument

3. RRBs should ensure strict compliance of these directions and notify the holders of such instruments of the change in practice by printing or stamping on the cheque leaves, drafts, pay orders and banker's cheques issued on or after April 1, 2012, by issuing suitable instruction for presentment within the period of three months from the date of the instrument.

RBI/2011-12/261UBD.BPD.(PCB)CIR No. 11/13.01.000/2011-12 dated November 17, 2011

Repayment of Term/Fixed Deposits in Banks

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

It has come to our notice that some banks insist on the signatures of both the depositors to allow

repayment of money in fixed/term deposits, though the deposit account is opened with operating instructions (sometimes called 'repayment instructions'), 'Either or Survivor' or 'Former or Survivor'. Such insistence on the signatures of both the depositors has the effect of making the mandate given by the depositors redundant. This, in turn, results in unjustified delays and allegations of poor customer service.

2. In this connection, it is clarified that if fixed/term deposit accounts are opened with operating instructions 'Either or Survivor', the signatures of both the depositors need not be obtained for payment of the amount of the deposits on maturity. However, the signatures of both the depositors may have to be obtained, in case the deposit is to be paid before maturity. If the operating instruction is 'Either or Survivor' and one of the depositors expires before the maturity, no pre-payment of the fixed/term deposit may be allowed without the concurrence of the legal heirs of the deceased joint holder. This, however, would not stand in the way of making payment to the survivor on maturity.

3. In case the mandate is 'Former or Survivor', the 'Former' alone can operate/withdraw the matured amount of the fixed/term deposit, when both the depositors are alive. However, the signature of both the depositors may have to be obtained, in case the deposit is to be paid before maturity. If the former expires before the maturity of the fixed/term deposit, the 'Survivor' can withdraw the deposit on maturity. Premature withdrawal would however require the consent of both the parties, when both of them are alive, and that of the surviving depositor and the legal heirs of the deceased in case of death of one of the depositors.

4. If the joint depositors prefer to allow premature withdrawals of fixed/term deposits also in accordance with the mandate of 'Either or Survivor' or 'Former or Survivor', as the case may be, it would be open to banks to do so, provided they have taken a specific joint mandate from the depositors for the said purpose.

RBI/2011-12/265IDMD.DOD.No.13/10.25.66/2011-12 dated November 18, 2011

Direct Access to Negotiated Dealing System-Order Matching (NDS-OM)

To All SGL/CSGL Account holders,

Please refer to our circular IDMD.DOD.No. 5893/10.25.66/2007-08 dated May 27, 2008 on access to NDS-OM.

2. With a view to widening the secondary market in Government Securities to more number of participants, it has been decided to extend direct access to NDS-OM to licensed Urban Co-operative Banks (UCBs) and Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SIs) falling under the purview of Section 45-I (c) (ii) of the Reserve Bank of India (RBI) Act, 1934 (*i.e.* NBFC-ND-SIs which carry on as their business or part of their business the activity of acquisition of shares, stock, bonds, debentures or securities issued by a Government or local authority or other marketable securities of a like nature). The financial criteria and other requirements for direct access to NDS-OM for the above entities are furnished in the **Annex**.

3. It may, however, be noted that extension of direct membership of NDS-OM to licensed UCBs and NBFC-ND-SIs [under Section 45-I (c) (ii) of the RBI Act, 1934] is subject to the comfort of the respective regulatory department of the Reserve Bank of India. Hence, all licensed UCBs and NBFC-ND-SIs which are eligible to obtain direct access to NDS-OM as per the criteria laid down in the **Annex** are advised to furnish a No-Objection Certificate from their respective regulatory departments while applying for NDS-OM membership. Yours faithfully, (Sanjay Hansda) Director & Officer-in-Charge.

Annex

Criteria for direct access to NDS-OM1. Licensed UCBs:

- a. Current account with RBI or a funds account with one of the Designated Settlement Banks (DSBs) chosen by Clearing Corporation of India Limited (CCIL) for funds settlement.

- b. Subsidiary General Ledger (SGL) Account with RBI.
- c. Membership of Negotiated Dealing System (NDS).
- d. Indian Financial Network (INFINET) connectivity.
- e. Membership of CCIL.
- f. Minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9%.
- g. Net Non-Performing Assets (NPA) of less than 5%.
- h. Minimum net worth of ₹25 crore.

2. NBFC-ND-SIs [under Section 45-I-(c) (ii) of the RBI Act, 1934] :

- a. Current account with RBI or a funds account with one of the Designated Settlement Banks (DSBs) chosen by Clearing Corporation of India Limited (CCIL) for funds settlement.
- b. Subsidiary General Ledger (SGL) Account with RBI.
- c. Membership of Negotiated Dealing System (NDS).
- d. Indian Financial Network (INFINET) connectivity.
- e. Membership of CCIL.
- f. Minimum Net Owned Funds of Rs. 100 crore.
- g. Net NPAs of less than 3% for the past 3 years.
- h. Net Profit for the past 3 years.

RBI 2011-12/266DBS.FrMC.BC.No.4/23.04.001/2011-12 dated November 21, 2011

Frauds – Classification and Reporting

The Chairmen & Chief Executive Officers of all Scheduled Commercial Banks (excluding RRBs) and All India Select Financial Institutions

Please refer to our letter DBS. FrMC. BC. No.1/23.04.001/2011-12 dated July 01, 2011 forwarding the Master Circular on 'Frauds – Classification and Reporting'.

2. Following the constitution of Financial Conglomerate Monitoring Division (FCMD) in the Department of Banking Supervision, Central Office to supervise and monitor 12 large banks in the country the names of which are given in Annex and other related developments, it has been decided to amend para 3.1.4 of Master Circular DBS. FrMC. BC. No. 1/

23.04.001/2011-12 dated July 01, 2011 on 'Frauds – Classification and Reporting' relating to reporting of fraud cases to various offices of RBI as under:

3.1.4 a) Fraud Cases Involving an Amount more than ₹1 lakh and upto ₹50 lakh

- i) To the R.O under whose jurisdiction the branch where the fraud has taken place is located.
- ii) To the R.O under whose jurisdiction the Head Office where the fraud has taken place is located.

Note: - In case the bank falls under the supervisory purview of Financial Conglomerate Monitoring Division (FCMD) (12 banks listed in the Annex.), the reporting is to be done to Reserve Bank of India, Financial Conglomerate Monitoring Division (FCMD), Department of Banking Supervision, Central office, 4th Floor, Centre 1, World Trade Centre, Cuffe Parade Mumbai-400005 in place of R.O under whose jurisdiction the Head Office where the fraud has taken place is located.

b) Fraud cases involving an amount of ₹50 lakh and above.

- i) To the R.O under whose jurisdiction the head office where the fraud has taken place is located.

Note: - In case the bank falls under the supervisory purview of Financial Conglomerate Monitoring Division (FCMD) (12 banks listed in the Annex.), the reporting is to be done to Reserve Bank of India, Financial Conglomerate Monitoring Division (FCMD), Department of Banking Supervision, Central office, 4th Floor, Centre 1, World Trade Centre, Cuffe Parade Mumbai-400005 in place of R.O under whose jurisdiction the Head Office where the fraud has taken place is located.

- ii) To Reserve Bank of India, Fraud Monitoring Cell, Department of Banking Supervision, Central office, 2nd Floor, Centre 1, World Trade Centre, Cuffe Parade Mumbai-400005

There will not be any change regarding submission of soft copy of fraud reports in FMR format to Reserve Bank of India, Fraud Monitoring Cell, Department of Banking Supervision, Central office immediately after the detection of fraud in all cases involving an amount of ₹1.00 lakh and above.

3. It has also been decided to amend para 3.2.6 of Master Circular DBS. FrMC. BC. No. 1/23.04.001/2011-12 dated July 01, 2011 on 'Frauds – Classification and Reporting' and henceforth banks need not forward a copy of circular on modus operandi of frauds occurred issued to their branches to Reserve Bank of India, Fraud Monitoring Cell, Department of Banking Supervision, Central office. In place, banks may place the copy of the circular on modus-operandi of fraud issued to their branches before the audit committee of board in its periodical meetings.

Annex

List of banks under the supervisory purview of Financial Conglomerate Monitoring Division (FCMD):

1. State bank of India.
2. Bank of Baroda.
3. Bank of India.
4. Canara Bank.
5. Punjab National bank.
6. Axis bank.
7. HDFC bank.
8. Kotak Mahindra bank.
9. ICICI bank.
10. Citi bank.
11. HSBC.
12. Standard Chartered bank.

RBI/2011-12/268DNBS.PD.CC.No.249/03.02.089/2011-12 dated November 21, 2011

NBFCs – Infrastructure Debt Funds

To All NBFCs excluding RNBCs

The Finance Minister had in his budget speech for the year 2011-2012 announced the setting up of Infrastructure Debt Funds (IDFs), to facilitate the flow of long-term debt into infrastructure projects. The IDF will be set up either as a trust or as a company. A trust based IDF would normally be a Mutual Fund (MF) while a company based IDF would normally be a NBFC. IDF-NBFC would raise resources through issue of either Rupee or Dollar denominated bonds of minimum 5 year maturity. The investors would be primarily domestic and off-shore institutional investors, especially insurance and pension funds which would

have long term resources. IDF-MF would be regulated by SEBI while IDF-NBFC would be regulated by the Reserve Bank.

2. The Reserve Bank had vide its Press Release dated September 23, 2011, issued broad parameters for banks and NBFCs to set up IDFs. Detailed guidelines are set out in the following paragraphs prescribing the regulatory framework for Non Banking Financial Companies (NBFCs) to sponsor IDFs which are to be set up as Mutual Funds (MFs) and NBFCs. Such entities would be designated as "Infrastructure Debt Fund – Mutual Funds (IDF-MF) and "Infrastructure Debt Fund – Non-Banking Financial Company (IDF-NBFC)". All NBFCs, including Infrastructure Finance Companies (IFCs) registered with the Bank may sponsor IDFs to be set up as Mutual Funds. However, only IFCs can sponsor IDF-NBFCs.

Eligibility Parameters for NBFCs as Sponsors of IDF – MFs

3. All NBFCs would be eligible to sponsor (sponsorship as defined by SEBI Regulations for Mutual Funds) IDFs as Mutual Funds with prior approval of RBI subject to the following conditions, in addition to those prescribed by SEBI, in the newly inserted Chapter VI B to the MF Regulations :

- i. The NBFC should have a minimum Net Owned Funds (NOF) of ₹300 crore and Capital to Risk Weighted Assets (CRAR) of 15%;
- ii. Its net NPAs should be less than 3% of net advances;
- iii. It should have been in existence for at least 5 years.
- iv. It should be earning profits for the last three years and its performance should be satisfactory;
- v. The CRAR of the NBFC post investment in the IDF-MF should not be less than the regulatory minimum prescribed for it;
- vi. The NBFC should continue to maintain the required level of NOF after accounting for investment in the proposed IDF and
- vii. There should be no supervisory concerns with respect to the NBFC.

Eligibility Parameters for IFCs setting up IDF-NBFCs

4. Only NBFC-IFCs can sponsor IDF-NBFC with prior approval of the Reserve Bank and subject to the following conditions.
 - i. Sponsor IFCs would be allowed to contribute a maximum of 49 percent to the equity of the IDF-NBFCs with a minimum equity holding of 30 percent of the equity of IDF-NBFCs,;
 - ii. Post investment in the IDF-NBFC, the sponsor NBFC-IFC must maintain minimum CRAR and NOF prescribed for IFCs
 - iii. There are no supervisory concerns with respect to the IFC.

Tripartite Agreement

5. IDF-NBFCs will enter into Tripartite Agreements to which, the Concessionaire, the Project Authority and IDF-NBFC shall be parties. Tripartite Agreement binds all the parties thereto to the terms and conditions of the other Agreements referred to therein also and which collectively provide, inter alia, for the following:
 - i. take over a portion of the debt of the Concessionaire availed from Senior Lenders,
 - ii. a default by the Concessionaire, shall trigger the process for termination of the agreement between Project Authority and Concessionaire,
 - iii. the Project Authority shall redeem the bonds issued by the Concessionaire which have been purchased by IDF-NBFC, from out of the termination payment as per the Tripartite Agreement and other Agreements referred to therein (compulsory buyout),iv. the fee payable by IDF-NBFC to the Project Authority as mutually agreed upon between the two.
6. NBFC and IFCs that fulfill the eligibility criteria as above may approach the Central Office of the Department of Non-Banking Supervision, Reserve Bank of India, Centre I, World Trade Centre, Cuffe Parade, Mumbai - 400 005 for sponsoring IDFs as MFs and NBFCs, as applicable.

Investment by NBFCs and IFCs in IDFs

7. The exposure of sponsor NBFCs/IFCs and non-sponsor NBFCs/IFCs to the equity and debt of the IDFs would be governed by the extant credit concentration norms as given in para 18 of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
8. Notification containing the detailed guidelines issued with regard to regulation of IDF-NBFCs viz; DNBS.PD.No.233/CGM (US)-2011, dated November 21, 2011 are enclosed for meticulous compliance. As regards foreign exchange related aspects of the functioning of IDF-NBFCs, a separate circular is being issued.

Notification No. DNBS.233/CGM(US)-2011 dated November 21, 2011

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

The Reserve Bank of India having considered it necessary in the 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 give the Directions set out below, hereby, in exercise of the powers conferred by sections 45JA, 45K, 45L and 45M of the Reserve Bank of India Act, 1934 (2 of 1934), and of all the powers enabling it in this behalf, hereby gives the Directions hereinafter specified.

Short Title and Commencement of the Directions

1. These Directions shall be known as the Infrastructure Debt Fund-Non-Banking Financial Companies (Reserve Bank) Directions, 2011 and shall come into force with immediate effect.

Applicability of Directions

2. These Directions shall apply to every Infrastructure Debt Fund-Non-Banking Financial Company (IDF-NBFC),

Definitions

3. For the purpose of these directions, unless the context otherwise requires,-

- (a) 'Concessionaire' means a party which has entered into an agreement called 'Concession Agreement' with a Project Authority, for developing infrastructure.
- (b) 'Infrastructure Debt Fund-Non-Banking Financial Company' or 'IDF-NBFC' means a non-deposit taking NBFC that has Net Owned Fund of Rs 300 crores or more and which invests only in Public Private Partnerships (PPP) and post commencement operations date (COD) infrastructure projects which have completed at least one year of satisfactory commercial operation and becomes a party to a Tripartite Agreement.
- (c) 'Project Authority' means an authority constituted by a statute for the development of infrastructure in the country.
- (d) 'Tripartite Agreement' means an agreement between three parties, namely, the Concessionaire, the Project Authority and IDF-NBFC that also binds all the parties thereto to the terms and conditions of the other Agreements referred to therein

4. Words and expressions used but not defined herein and defined in Reserve Bank of India Act, 1934 or the Directions issued under Chapter III thereof shall, unless the context otherwise requires, have the meaning assigned to them thereunder.

Credit Rating

5. IDF-NBFC shall have at the minimum, a credit rating grade of 'A' of CRISIL or equivalent rating issued by other accredited rating agencies such as FITCH, CARE and ICRA;

Capital Adequacy

6. The IDF-NBFC shall have at the minimum CRAR of 15 percent and Tier II Capital of IDF-NBFC shall not exceed Tier I.

Investment

7. IDF-NBFCs shall invest only in PPP and post COD infrastructure projects which have completed at least one year of satisfactory commercial operation and are a party to a Tripartite Agreement with the Concessionaire and the Project Authority for ensuring a compulsory buyout with termination payment.

Credit Concentration Norms:

- 8. i. The maximum exposure that an IDF-NBFC can take on individual projects will be at 50 percent of its total Capital Funds (Tier I plus Tier II as defined in Para 2 (xx) and (xxi) for the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007).
- ii. An additional exposure up to 10 percent could be taken at the discretion of the Board of the IDF-NBFC.
- iii. RBI may, upon receipt of an application from an IDF-NBFC and on being satisfied that the financial position of the IDF-NBFC is satisfactory, permit additional exposure up to 15 percent (over 60 percent) subject to such conditions as it may deem fit to impose regarding additional prudential safeguards.

Risk Weights for the Purpose of Capital Adequacy:

- 9. For the purpose of computing capital adequacy of the IDF-NBFC,
 - i. bonds covering PPP and post commercial operations date (COD) projects in existence over a year of commercial operation shall be assigned a risk weight of 50 percent.
 - ii. All other assets shall be risk weighted as per the extant regulations as given in para 16 of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Other Prudential Norms

10. All other prudential norms as specified in Non-Banking Financial (Non-Deposit Accepting or Holding)

Companies Prudential Norms (Reserve Bank) Directions, 2007 including income recognition, asset classification and provisioning norms will be applicable for IDF-NBFCs.

RBI/2011-12/269DBOD.FSD.BC.No. 57/24.01.006/2011-12 dated November 21, 2011

Banks as Sponsors to Infrastructure Debt Funds

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

In order to accelerate and enhance the flow of long term funds to infrastructure projects for undertaking the Government's ambitious programme of infrastructure development, Union Finance Minister in his budget speech for 2011-12 had announced setting up of Infrastructure Debt Funds (IDFs). Accordingly, the Government has since come out with the broad structure of the proposed IDFs vide their press release dated June 24, 2011. IDFs can be set up either as Mutual Funds (MFs) or as Non-Banking Finance Companies (NBFCs). While IDF-MFs will be regulated by SEBI (SEBI has amended the Mutual Funds Regulations to provide regulatory framework for IDF-MFs by inserting Chapter VI-B to the MF Regulations), IDF-NBFCs will be regulated by Reserve Bank of India (RBI). The Reserve Bank had also issued a press release on September 23, 2011 which contained the broad parameters for banks and NBFCs to set up IDFs. The detailed regulations relating to IDF-NBFCs are contained in our circular No. DNBS.PD.CC.No.249/03.02.089/2011-12 dated November 21, 2011.

2. In this connection, we advise that scheduled commercial banks would be allowed to act as sponsors to IDF-MFs and IDF-NBFCs with prior approval from RBI subject to the following conditions:

2.1 Sponsor to IDF – MF

Banks may act as sponsors to IDF-MFs subject to adherence to SEBI regulations in this regard.

2.2 Sponsor to IDF – NBFC

A bank acting as sponsor of IDF-NBFC shall contribute a minimum equity of 30 per cent and

maximum equity of 49 per cent of the IDF-NBFC. Since in terms of Section 19 (2) of the Banking Regulation Act, 1949, a bank cannot hold shares in excess of 30 per cent of the paid up share capital of a company, unless it is a subsidiary, Reserve Bank would, based on merits, recommend to the Government to grant exemption from the provisions of Section 19(2) of the Act, (*i.e.* under Section 53 of the Act *ibid*) for investment in excess of 30 per cent and upto 49 per cent in the equity of the IDF-NBFC.

2.3 General conditions for banks to act as sponsors to IDFs – both under MF and NBFC structures

- i. Investment by a bank in the equity of a single IDF – MF and NBFC should not exceed 10 per cent of the bank's paid up share capital and reserves.
 - ii. Investment in the equity of a bank in subsidiary companies, financial services companies, financial institutions, stock and other exchanges put together should not exceed 20 per cent of bank's paid up share capital and reserves and this limit will also cover bank's investments in IDFs as sponsors.
 - iii. Banks' exposures to IDFs - (MFs and NBFCs) by way of contribution to paid up capital as sponsors will form part of their capital market exposure and should be within the regulatory limits specified in this regard.
 - iv. Banks should have clear Board laid down policies and limits for their overall infrastructure exposure which should include their exposures as sponsors to IDFs - (MFs and NBFCs).
 - v. The IDFs - (MFs and NBFCs) should make a disclosure in the prospectus/offer document at the time of inviting investments that the sponsoring bank's liability is limited to the extent of its contribution to the paid up capital.
3. Banks which are desirous of sponsoring IDFs (MFs/NBFCs) may apply to the Chief General Manager-in-Charge, Department of Banking Operations & Development, Reserve Bank of India, Central Office, 12th Floor, Shahid Bhagat Singh Marg, Mumbai-400 001.

RBI/2011-12/272ARPCD.CO.RRB.BC.No.33/03.05.33/2011-12 dated November 23, 2011

Deregulation of Savings Bank Deposit Interest Rate – Guidelines

All Regional Rural Banks

Please refer to our circular RPCD. CO. RRB. BC. No. 68/03.05.33/2010-11 dated May 3, 2011.

2. As indicated in the Second Quarter Review of Monetary Policy announced on October 25, 2011, it has been decided to deregulate the savings bank deposit interest rate with immediate effect. Accordingly, the following Guidelines will be effective from October 25, 2011:

- Banks are free to determine their savings bank deposit interest rate, subject to the following two conditions:
- First, each bank will have to offer a uniform interest rate on savings bank deposits up to Rs.1 lakh, irrespective of the amount in the account within this limit.
- Second, for savings bank deposits over ₹1 lakh, a bank may provide differential rates of interest, if it so chooses, subject to the condition that banks will not discriminate in the matter of interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.

3. The above revised Guidelines would be applicable to savings bank deposits of resident Indians only.

4. Interest rate on Non-Resident (External) Accounts Scheme and Ordinary Non-Resident Deposit under savings account, which has been prescribed at 4 per cent per annum at present, will continue to be regulated until further review.

5. An amending directive RPCD. CO. RRB. BC. Dir. No. 27/03.05.33/2011-12 dated October 25, 2011 is enclosed.

RPCD.CO.RRB.BC.Dir.No.27/03.05.33/2011-12 dated October 25, 2011

Deregulation of Savings Bank Deposit Interest Rate

In exercise of the powers conferred by Section 35 A of the Banking Regulation Act, 1949 and in partial modification of its directive RPCD.CO.RRB.BC.No.67/03.05.33/2010-11 dated May 3, 2011, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that banks are free to determine their savings bank deposit interest rate for resident Indians only with immediate effect subject to two conditions. First, each bank will have to offer a uniform interest rate on savings bank deposits up to ₹1 lakh, irrespective of the amount in the account within this limit. Second, for savings bank deposits over Rs.1 lakh, a bank may provide differential rates of interest, if it so chooses, subject to the condition that banks will not discriminate in the matter of interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.

RBI/2011-12/278RPCD.CO.RCB.BC.No.38/07.38.01/2011-12 dated November 24, 2011

Interest Rate on Non-Resident (External) Rupee (NRE) Deposits

All State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs)

Please refer to our Circular RPCD. CO. RF. BC. No. 68/07.38.01/2008-09 dated November 17, 2008 on Interest Rate on NRE Rupee Deposits. In view of the prevailing market conditions, it has been decided that until further notice and with effect from close of business in India as on November 23, 2011, the interest rates on Non-Resident (External) Rupee (NRE) Term Deposits will be as under:

The interest rates on fresh Non-Resident (External) Rupee (NRE) Term deposits for one to three years maturity should not exceed the LIBOR/SWAP

rates plus 275 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR/SWAP rates plus 175 basis points effective from close of business on November 15, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

2. The other instructions as contained in our Circular RPCD.No.RF.Dir.BC 54/D.1-87/88 dated November 2, 1987 shall remain unchanged. An amending directive RPCD.CO.RCB.BC.Dir.No.37/07.38.01/2011-12 dated November 24, 2011 is enclosed.

RPCD.CO.RCB.BC.Dir.No.37/07.38.01/2011-12 dated November 24, 2011

Interest Rate on Non-Resident (External) Rupee (NRE) Deposits

In exercise of the powers conferred by Section 35 A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) and in partial modification of Directive RPCD No.Dir.BC.53/D.1-87/88 dated November 2, 1987, as amended from time to time, on Interest Rates on Deposits, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs undernoted changes in the interest rates on Non-Resident (External) Rupee (NRE) deposits:

'With effect from the close of business as on November 23, 2011, the interest rates on fresh Non-Resident (External) Rupee (NRE) Term deposits for one to three years' maturity should not exceed the LIBOR/SWAP rates plus 275 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR/SWAP rates plus 175 basis points effective from the close of business on November 15, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.'

RBI/2011-12/279UBD.BPD. (PCB) CIR No. 12/13.01.000/2011-12 dated November 24, 2011

Interest Rates on Non-Resident (External) Rupee (NRE) Deposits – UCBs

The Chief Executive Officers

All Primary (Urban) Co-operative Banks

Please refer to our circular UBD(PCB) CO BPD Cir No.25/13.01.000/2008-09 dated November 17, 2008 on the captioned subject.

2. In view of the prevailing market conditions, it has been decided that until further notice and with effect from close of business in India as on November 23, 2011, the interest rates on Non- Resident (External) Rupee (NRE) Term Deposits will be as under:

The Interest rates on fresh Non-Resident (External) Rupee (NRE) Term Deposits for one to three years maturity should not exceed the LIBOR/SWAP rates plus 275 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR/SWAP rates plus 175 basis points effective from close of business on November 15, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

3. All other instructions in this regard, as amended from time to time, will remain unchanged.

4. An amending directive UBD.BPD.DIR. No.2/13.01.000/2011-12 dated November 23, 2011 is enclosed.

UBD.BPD.DIR. No. 2/13.01.000/2011-12 dated November 23, 2011

Interest Rates on Non-Resident (External) Rupee (NRE) Deposits

In exercise of the powers conferred by Section 35A read with Section 56 of the Banking Regulation Act, 1949, and in modification of the directive UBD.No.Dir 8/13.01.000/2008-09 dated November 15, 2008 on Interest Rates on Deposits held in Non-

Resident (External) (NRE) Accounts, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that Interest Rates on Non-Resident (External) Rupee (NRE) Deposits shall be as under:

'With effect from close of business as on November 23, 2011, interest rates on fresh Non-Resident (External) Rupee (NRE) Term Deposits for one to three years maturity should not exceed the LIBOR/SWAP rates plus 275 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR/SWAP rates plus 175 basis points effective from the close of business on November 15, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.'

RBI/2011-12/280UBD.BPD.AD.CIR No. 4/13.01.000/2011-12 dated November 24, 2011

Interest Rates on FCNR(B) deposits – UCBs

The Chief Executive Officers
All AD Category-I UCBs

Please refer to our circular UBD.BPD.AD.Cir No.26/13.01.000/2008-09 dated November 17, 2008 on the captioned subject.

2. In view of the prevailing market conditions, it has been decided that until further notice and with effect from close of business in India as on November 23, 2011, the interest rates on FCNR(B) deposits will be as under:

In respect of FCNR (B) deposits of all maturities contracted effective from the close of business in India as on November 23, 2011, interest shall be paid within the ceiling rate of LIBOR/SWAP rates plus 125 basis points for the respective currency/corresponding maturities (as against LIBOR/SWAP rates plus 100 basis points effective from close of business on November 15, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency/maturity plus 125 basis points. For floating

rate deposits, the interest reset period shall be six months.

3. All other instructions in this regard, as amended from time to time, will remain unchanged.

4. An amending directive UBD. BPD. DIR. No. 3/13.01.000/2011-12 dated November 23, 2011 is enclosed.

UBD.BPD.DIR. No. 3/13.01.000/2011-12 dated November 23, 2011

Interest Rates on FCNR(B) Deposits

In exercise of the powers conferred by Section 35A read with Section 56 of the Banking Regulation Act, 1949, and in modification of the directive UBD.No.Dir 9/13.01.000/2008-09 dated November 15, 2008 on Interest Rates on Deposits held in FCNR(B) Accounts, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that Interest Rates on FCNR(B) deposits shall be as under:

'In respect of FCNR(B) deposits of all maturities contracted effective from the close of business in India as on November 23, 2011, interest shall be paid within the ceiling rate of LIBOR/SWAP rates plus 125 basis points for the respective currency/corresponding maturities (as against LIBOR/SWAP rates plus 100 basis points effective from the close of business on November 15, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency/maturity plus 125 basis points. For floating rate deposits, the interest reset period shall be six months.'

RBI/2011-12/281UBD.BPD.(PCB)CIR No.13/13.01.000/2011-12 dated November 25, 2011

Deregulation of Savings Bank Deposit Interest Rate

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

Please refer to our circular No.UBD.BPD.(PCB)CIR No.45/13.01.00/2010-11 dated May 3, 2011 enclosing

a Directive UBD.BPD.DIR. No.3/13.01.00/2010-11 dated May 3, 2011 on interest rates on deposits.

2. As indicated in the Second Quarter Review of Monetary Policy announced on October 25, 2011, it has been decided to deregulate the savings bank deposit interest rate with immediate effect. Accordingly, banks are free to determine, with immediate effect, their savings bank deposit interest rate, subject to the following two conditions:

- First, each bank will have to offer a uniform interest rate on savings bank deposits up to ₹1 lakh, irrespective of the amount in the account within this limit.
- Second, for savings bank deposits over ₹1 lakh, a bank may provide differential rates of interest, if it so chooses, subject to the condition that banks will not discriminate in the matter of interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.

3. The above revised instructions would be applicable to savings bank deposits of resident Indians only.

4. Interest rate on Non-Resident (External) Accounts Scheme and Ordinary Non-Resident Deposit under savings account, which has been prescribed at 4 per cent per annum at present, will continue to be regulated until further review.5. An amending directive UBD.BPD.DIR. No. 4/13.01.000/2011-12 dated November 25, 2011 is enclosed.

UBD.BPD.DIR. No.4/13.01.000/2011-12 dated November 25, 2011

Deregulation of Savings Bank Deposit Interest Rate

In exercise of the powers conferred by Section 35A read with Section 56 of the Banking Regulation Act, 1949 and in partial modification of its directive UBD.BPD.DIR. No.3/13.01.00/2010-11 dated May 3, 2011, the Reserve Bank of India, being satisfied that it

is necessary and expedient in the public interest so to do, hereby directs that banks are free to determine their savings bank deposit interest rate for resident Indians only with immediate effect subject to the following two conditions:'

1. each bank will have to offer a uniform interest rate on savings bank deposits up to ₹1 lakh, irrespective of the amount in the account within this limit.
2. for savings bank deposits over ₹1 lakh, a bank may provide differential rates of interest, if it so chooses, subject to the condition that banks will not discriminate in the matter of interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.

RBI/2011-12/282 DGBA.CDD. No. H- 3341/15.15.001/2011-12 dated November 25, 2011

The Chairman and Managing Director/
Managing Director
Government Accounts Department/Head Office
State Bank of India/State Bank of Patiala/
State Bank of Bikaner & Jaipur/State Bank of Travancore/
State Bank of Hyderabad/State Bank of Mysore/
Andhra Bank/Allahabad Bank/Bank of Baroda/
Bank of India/Bank of Maharashtra/Canara Bank/
Central Bank of India/Corporation Bank/Dena Bank/
Indian Bank/Indian Overseas Bank/Punjab National
Bank/Syndicate Bank/UCO Bank/Union Bank of India/
United Bank of India/Vijaya Bank/IDBI Bank/
ICICI Bank Ltd..

Amendment to Senior Citizens Savings Rule, 2004 (SCSS, 2004) To allow verification of Affidavits by 'Notary Public' along with 'Oath Commissioner' in SCSS, 2004.

We forward herewith 5 copies of Government of India Notification G.S.R. 770 (E) dated October 19, 2011, on the captioned subject, the contents of which are self-explicit.

2. In this regard, we advise that the contents of the Notification may be brought to the notice of the

branches of your bank operating the SCSS, 2004 and may also be displayed on the notice boards of your branches for the information of the SCSS, 2004 subscribers.

The Gazette of India
EXTRAORDINARY
Part II – Section 3 – Sub-Section (i)
PUBLISHED BY AUTHORITY
MINISTRY OF FINANCE
(Department of Economic Affairs)
NOTIFICATION

New Delhi, the 19th October, 2011

G.S.R.770(E). – In exercise of the powers conferred by Section 15 of the Government Savings Banks Act, 1873 (5 of 1873), the Central Government hereby makes the following rules further to amend the Senior Citizens Savings Scheme Rules, 2004, namely : -

1. (1) These rules may be called the Senior Citizens Savings Scheme (Amendment) Rules, 2011.
- (2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Senior Citizens Savings Scheme Rules, 2004;
 - (a) in Annexure II to Form F, under the heading VERIFICATION; after the words "Oath Commissioner", the words "or Notary Public" shall be inserted.
 - (b) in Annexure III for Form F, under the heading VERIFICATION; after the words "Oath Commissioner", the words "or Notary Public" shall be inserted.

[F.No.2-8/2004-NS-II/Vol.III]
M.A. Khan, Under Secretary

Note :- The Senior Citizens Savings Scheme Rule, 2004 were published in the Gazette of India (Extraordinary) *vide* notification number G.S.R.490 (E), dated the 2nd August, 2004 and subsequently amended *vide* G.S.R. 706(E), dated the 27th October, 2004 and G.S.R.176 (E), dated the 23rd March, 2006, G.S.R.390 (E), dated the 24th May, 2007 and G.S.R.639 (E) dated the 28th July, 2010.

RBI/2011-12/283DBOD.No.BL.BC. 60/22.01.001/2011-12 dated November 29, 2011

Branch Authorization Policy – Relaxation-opening of Tier 2 branches under general permission

All Scheduled Commercial Banks
(excluding RRBs)

Please refer to paragraphs 77 to 80 of the Second Quarter Review of Monetary Policy 2011-12 on the above subject (extract enclosed). To enhance the penetration of banking in rural and semi-urban areas, domestic scheduled commercial banks (excluding RRBs) were permitted *vide* circular DBOD.No.BL.BC.65/22.01.001/2009-10 dated December 1, 2009 to open branches in Tier 3 to Tier 6 centres (with population up to 49,999 as per Census 2001) and in the rural, semi-urban and urban centres in North-Eastern States and Sikkim without having the need to take permission from Reserve Bank of India in each case, subject to reporting.

2. In view of the continued need to step up the opening of branches in rural areas so as to meet the objectives of increasing banking penetration and financial inclusion rapidly and meet the targets set out for providing banking services in villages with population over 2,000 by March 2012, and thereafter progressively to all villages over a period of time, domestic scheduled commercial banks were further advised *vide* circular DBOD.No.BL.BC. 24/22.01.001/2011-12 dated July 15, 2011 that while preparing their Annual Branch Expansion Plan (ABEP), they should allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) centres, i.e. centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.

3. Since there is a continuing need for opening more branches in underbanked districts of underbanked States for ensuring greater uniformity in spatial distribution, banks are presently provided incentive for opening such branches. Accordingly, for each branch proposed to be opened in Tier 3 to Tier 6 centres

of underbanked districts of underbanked States, excluding such of the rural branches proposed to be opened in unbanked centres that may be located in the underbanked districts of underbanked States, authorisation is given for opening of an additional branch in a Tier 1 centre.

4. These initiatives have led to an increased pace in the number of branches opened in Tier 3 to Tier 6 centres. However, it is observed that branch expansion in Tier 2 centres has not taken place at the desired pace. To provide enhanced banking services in Tier 2 centres, domestic scheduled commercial banks (other than RRBs) will be allowed to open branches in Tier 2 centres (with population 50,000 to 99,999 as per Census 2001) without the need to take permission from the Reserve Bank in each case, subject to reporting. The incentive given in the form of authorisation for an additional branch in a Tier 1 centre for each branch proposed to be opened in Tier 3 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the rural branches proposed to be opened in unbanked centres that may be located in the underbanked districts of underbanked States, is extended to Tier 2 centres also. Accordingly, for each branch proposed to be opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the rural branches proposed to be opened in unbanked centres that may be located in the underbanked districts of underbanked States, authorization will be given for opening of an additional branch in a Tier 1 centre.

5. Consequent on granting general permission to banks for opening of branches in Tier 3 to Tier 6 centres, general permission was also granted to domestic scheduled commercial banks, for opening of Administrative Offices and Central Processing Centres(CPCs)/Service Branches at such centres, vide circular DBOD.No.BL.BC. 78/22.01.001/2010-11 dated January 27, 2011. Now that general permission to banks has been extended for opening of branches in Tier 2 centres, domestic scheduled commercial banks (other than RRBs) will be allowed to open Administrative Offices and Central Processing Centres(CPCs)/Service Branches in Tier 2 centres (with population 50,000 to 99,999 as per Census 2001) also, along with those in

Tier 3 to Tier 6 centres, without the need to take permission from the Reserve Bank in each case, subject to reporting.

6. The general permission granted to banks for opening branches in Tier 3 to Tier 6 centres was extended for operationalising Mobile branches in these centres vide circular DBOD. No. BL.BC. 27/22.01.001/2010-11 dated July 23, 2010. However, since the concept of mobile branches was mooted for rural areas, the general permission granted for operationalising mobile branches in Tier 3 to Tier 6 centres would not be extended to the operationalisation of mobile branches in Tier 2 centres.

7. Opening of branches by domestic scheduled commercial banks (other than RRBs) in Tier 1 centres (centres with population of 100,000 and above as per Census 2001) will continue to require prior permission of Reserve Bank of India. Authorisation for opening branches in Tier 1 centres will not generally exceed the total number of branches proposed to be opened in Tier 2 to Tier 6 centres as well as in the rural, semi-urban and urban centres in the North-Eastern States and Sikkim. While issuing such authorisation, Reserve Bank will continue to factor in whether at least 25 percent of the total number of branches to be opened during a year are proposed to be opened in unbanked rural centres as also regulatory and supervisory comfort and critical assessment of bank's performance in financial inclusion, priority sector lending and customer service, etc.

8. All other instructions will remain unchanged.

RBI/2011-12/284RPCD.CO.FID.BC.No.41/12.01.011/
2011-12 dated November 30, 2011

Financial Inclusion – Opening of Aadhaar Enabled Bank Accounts (AEBA)

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

Please refer to our Circular RPCD.CO.BC.FID
No.16/12.01.019/2011-12 dated August 12, 2011

forwarding the Operational Guidelines on implementation of Electronic Benefit transfer (EBT) and its convergence with Financial Inclusion Plan (FIP).

2. In view of the timelines attached to the implementation of EBT for routing MGNREGA wages and social security benefits including proposed cash transfers in respect of subsidies on Kerosene, LPG and Fertilisers, you are requested to ensure opening of Aadhaar Enabled Bank Accounts (AEBA) of all the beneficiaries including those residing in villages with less than 2000 population.

RBI/2011-12/286IDMD.PCD.2302/14.03.04/2011-12 dated November 30, 2011

Credit Default Swaps (CDS) for Corporate Bonds-Reporting Platform

All Market Participants

A reference is invited to our circular IDMD.PCD.No. 5053/14.03.04/2010-11 dated May 23, 2011 enclosing the **Guidelines on Credit Default Swaps (CDS) for Corporate Bonds** wherein it was indicated that *Market-makers* shall report their CDS trades with both *users* and other *market-makers* on the reporting platform of CDS trade repository within 30 minutes from the deal time.

2. It is advised that all market makers shall report their CDS trades in corporate bonds within 30 minutes of the trade to the Clearing Corporation of India Limited (CCIL) trade repository CCIL Online Reporting Engine (CORE) beginning December 1, 2011.

RBI/2011-12/287IDMD.PCD.No. 2301/14.03.04/2011-12 dated November 30, 2011

Guidelines on Capital Adequacy and Exposure Norms for Credit Default Swaps (CDS)

All Standalone Primary Dealers

Please refer to the guidelines on Credit Default Swaps on corporate bonds issued vide Circular IDMD.PCD.No. 5053/14.03.04/2010-11 dated May 23, 2011. As indicated in paragraph 3.5 of the circular, market participants will have to follow the capital adequacy guidelines for CDS issued by their respective regulators. Accordingly, guidelines on capital adequacy and exposure norms to standalone Primary Dealers (PDs) undertaking CDS transactions are enclosed as **Annex**.

2. These guidelines become effective from December 1, 2011.