

## **Credit Control and Other Measures**

### **March 2000**

**Selected circulars issued by the Reserve Bank of India during March 2000 are reproduced below.**

Plan.PCB.Cir/26/09.80.00/99-2000 dated March 28, 2000.

#### **All Primary Co-operative Banks Ready Forward Contracts**

In terms of Notification No. S.O. 2561 dated June 27, 1969, issued by the Government of India under section 16 of the Securities Contracts (Regulation) Act, 1956, all forward contracts in securities had been banned excepting ready forward transactions specifically exempted by the Government. The Government of India has now rescinded the 1969 notification and delegated powers to the Reserve Bank of India under section 16 of the Securities Contracts (Regulation) Act for regulating contracts in government securities, money market securities, gold related securities and derivatives based on these securities, as also ready forward contracts in all debt securities. The copies of notifications issued by the Government of India, the Reserve Bank of India and the Securities and Exchange Board of India in this connection are enclosed for your information.

In terms of the second proviso to the notification of the Reserve Bank of India referred to above, ready forward contracts as described in the proviso (including Reverse Ready Forward contracts), may be entered into in accordance with the terms and conditions and among the participants as specified here under:

- (a) ready forward contracts may be undertaken only in Treasury Bills and dated securities of all maturities issued by the Government of India and State Governments;
- (b) ready forward contracts in the securities specified at (a) above may be entered into by a banking company, a cooperative bank or any person, maintaining a Subsidiary General Ledger Account and a Current Account with RBI Mumbai, only among themselves. The list of non-bank entities currently having SGL and Current Account with the Reserve Bank of India, Mumbai Office is enclosed in Annexure - I;
- (c) such ready forward contracts shall be settled through the Subsidiary General Ledger Accounts of the participants with the Reserve Bank of India at Mumbai only, and
- (d) no sale transaction should be put through without actually holding the securities in the portfolio.

#### **Annexure - I**

##### **The list of non-bank entities for entering into ready forward contracts**

- 1) The Discount and Finance House of India Ltd.
- 2) Gilt Securities Trading Corporation Ltd.

- 3) ICICI Securities and Finance Co. Ltd.
- 4) PNB Gilts Ltd.
- 5) SBI Gilts Ltd.
- 6) Securites Trading Corporation of India Ltd.
- 7) DSP Merrill Lynch Ltd.
- 8) Ceat Financial Services Ltd.
- 9) Kotak Mahindra Capital Company (unlimited)
- 10) Biral Global Finance Co. Ltd.
- 11) Hoare Govett (India) Securities Ltd.
- 12) Dil Vikas Finance Ltd.
- 13) SREI International Securities Pvt. Ltd. 14) Tower Capital and Securities Pvt. Ltd. 15) Tata Finance Securities Ltd.
- 16) Canbank Mutual Fund
- 17) Export Credit Guarantee Corporation of India Ltd.
- 18) Export Import Bank of India
- 19) General Insurance Corporation of India
- 20) GIC Mutual Fund
- 21) Indian Bank Mutual Fund
- 22) Industrial Credit and Investment Corporation of India Ltd.
- 23) Insurance Development Bank of India
- 24) IDBI Mutual Fund
- 25) ITC Thread Needle Mutual Fund
- 26) Life Insurance Corpoartion of India
- 27) National Bank for Agriculture and Rural Development
- 28) National Housing Bank
- 29) New India Assurance Company Ltd.
- 30) Oriental Insurance Company Ltd.
- 31) Reliance Capital Mutual Fund
- 32) SBI Mutual Fund
- 33) Small Industries Development Bank of India
- 34) Unit Trust of India 35) LIC Mutual Fund 36) J.M. Mutual Fund
- 37) Birla Mutual Fund
- 38) Kothari Pioneer Mutual Fund
- 39) Jardine Fleming Mutual Fund
- 40) Kotak Mahindra Mutual Fund
- 41) JP Morgan Securities India Private Ltd.
- 42) ABN AMRO Securities (India) Pvt. Ltd.
- 43) Deutsche Securities (India) Private Ltd.
- 44) Industrial Investment Bank of India Ltd.
- 45) Bank of India Mutual Fund
- 46) Sun F & C Mutual Fund
- 47) Prudential ICICI Mutual Fund
- 48) Housing Development Finance Corporation Ltd.
- 49) Stock Holding Corporation of India Ltd.
- 50) SICOM Ltd.
- 51) Dundee Mutual Fund

- 52) Templeton Mutual Fund
- 53) IDBI Capital Market Services Ltd.
- 54) Tata Trustee Company Ltd. A/c Tata Mutual Fund
- 55) DSP Merrill Lynch Mutual Fund
- 56) Deposit Insurance and Credit Guarantee Corporation
- 57) Industrial Finance Corporation of India
- 58) Corpbank Securities
- 59) Zurich India Mutual Fund
- 60) Alliance Capital Mutual Fund
- 61) II & FS Mutual Fund
- 62) BOB Mutual Fund
- 63) National Securities Clearing Corporation Ltd.
- 64) National Securities Depository Ltd.

Plan. PCB.27/09.09.01/99-2000 dated March 31, 2000.

### **All Primary (Urban) Co-operative Banks**

#### **Priority Sector advances - Credit Deployment to SSI Sector**

Please refer to para 2 of our Circular UBD. No. Plan. 42/09.09.01/97-98 dated February 19, 1998, regarding ceiling on investment in plant and machinery for small scale/ancillary industrial undertakings.

2. We advise that the Government of India have since issued a Gazatte Notification No. S.O. 1288 (E) dated December 24, 1999 reducing the ceiling on investment in plant and machinery of SSI / Ancillary units to Rs. 1 crore from the existing limit of Rs. 3 crore. Accordingly, revised guidelines are issued as follows:
  - a) Ceiling on investment in plant and machinery of SSI/ancillary unit is reduced to Rs. 1 crore from the existing limit of Rs. 3 crore. The advances to SSI units for the purpose of Priority Sector lending may be classified accordingly.
  - b) The investment limit for tiny units would however, continue to be at the level of Rs. 25 lakh as advised in our Circular UBD. Plan. 45/09.09.01/97-98 dated March 26, 1998.
  - c) The investmest limit in plant and machinery in respect of industry-related Small Scale Service/Business Enterprises (SSI/BEs) has been stipulated at Rs. 5 lakh.
3. We shall be glad if the above guidelines are brought to the notice of your branches for implementation.