

## **Credit Control and other Measures**

**AUGUST 2000**

**Selected circular issued by the Reserve Bank of India during August 2000 is reproduced below.**

Ref. No. UBD. DS. SUB 2/13.05.00/2000-2001 dated August 25, 2000

**To all Scheduled Primary Cooperative Banks**

**Rediscounting of Bills by Banks**

Please refer to our circular UBD.No.DS.SUB.3/ 13.05.00/1999-2000 dated September 21, 1999 on the captioned subject.

2. RBI has been receiving request from various NBFCs to allow them to avail of bills redis-counting facility with banks/financial institutions in respect of bills arising out of sale of two wheeler/three wheeler vehicles. It is understood that the sale of such vehicles has increased substantially during the last few years. The market size of these vehicles has also expanded considerably, particularly in rural areas. Over a period of time, Non-Banking Financial Companies (NBFCs) have acquired considerable experience in assessing the credit risk of dealers of such vehicles as well as the individual customers. They are also in a position to meet the increasing demand for financing the consumers' needs in this sector.

3. In view of the above, it has been decided that scheduled primary cooperative banks may rediscount bills discounted by NBFCs arising from sale of two wheeler and three wheeler vehicles subject to the following conditions :

- i) the bills should have been drawn by the manufacturers on dealers only;
- ii) the bills should represent genuine sale transactions as may be ascertained from the chasis/engine number; and
- iii) before rediscounting the bills, the scheduled primary cooperative banks should satisfy themselves about the bonafides and track-record of NBFCs which have discounted the bills.

4. The other terms and conditions contained in our circulars No.UBD.DS.PCB.25/13.05.00/ 94-95 dated October 21, 1994, DS.PCB. Cir.60/13.05.00/94-95 dated May 30, 1995 and UBD.DS.PCB.Cir.63/13.05.00/95-96 dated May 24, 1996 regarding lending to NBFCs remain unchanged.