

Credit Control and Other Measures

JANUARY 2001

Selected circulars issued by the Reserve Bank of India during January 2001 are reproduced below.

Ref. No. UBD. DS. DIR. 3/13.01.00/2000-01 dated January 03, 2001

All Primary Co-operative Banks

Interest Rates on Deposits

In exercise of the powers conferred by Sections 21 and 35A read with Section 56 of the Banking Regulation Act, 1949 and in partial modification of its Directive UBD. No. DC.102/V.1-86-87 dated June 25, 1987, as amended from time to time, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that the existing paragraph 21 shall be substituted by the following with immediate effect:-

“21. Prohibitions

No Primary (Urban) Co-operative Bank shall -

(a) discriminate in the matter of the rate of interest paid on domestic term deposits and non-resident (external) rupee deposits between one deposit and another, accepted on the same date and for the same maturity, whether such deposits are accepted at the same office or at different offices of the bank, except in respect of single term deposit of Rs. 15 lakh and above on the basis of size deposits, subject to the following conditions:

(i) The permission to offer varying rates of interest for deposits of the same maturity shall apply to domestic term deposits and nonresident (external) rupee term deposits of Rs. 15 lakh and above. Banks may, therefore, offer same rate of interest or differential rates of interest for such term deposits of Rs. 15 lakh and above. For deposits below Rs. 15 lakh of the same maturity the same rate will apply.

(ii) Banks should disclose in advance the schedule of interest rates payable on deposits including deposits on which differential interest will be paid. Interest rates paid by the bank should be as per the schedule and not be subject to negotiation between the depositor and the bank.

(b) pay brokerage on deposits in any form to any individual, firm, company, association, institution or any other person except-

(i) Commission paid to agents employed to collect door-to-door deposits under a special scheme;

(ii) Incentives granted to staff members as approved by the Reserve Bank of India from time to time.

(c) employ/engage any individual, firm, company, association, institution or any other person for collection of deposit or for selling any other deposit linked products on payment of remuneration or fees or commission in any form or manner, except to the extent permitted in sub-clause (i) of clause (b) above."

2. The other provisions of the Directive UBD.DC.102/V.1-86/87 dated June 25, 1987, as amended from time to time, shall remain unchanged.

Ref. No. MPD. BC. 202/07.01.279/2000-01 dated January 5, 2001

All Scheduled Commercial Banks

On a review of the current situation, the following measures are undertaken:

a) Withdrawal of Interest Rate Surcharge on Import Finance

The Interest Rate Surcharge of 50 per cent on import finance, which has been in force since May 26, 2000 is being withdrawn with effect from January 6, 2001.

b) Interest Rate on Overdue Export Bills

Since May 26, 2000, banks are required to charge a minimum rate of 25 per cent interest on overdue export bills. The stipulation is also being withdrawn with effect from January 6, 2001 and banks will henceforth have the freedom to decide the appropriate rate of interest on overdue export bills. However, the present procedures for ensuring that there is no deliberate attempt to delay repatriation of export receipts will remain in force.

Ref. No. UBD. DS.PCB.CIR 26/13.04.00/2000-01 dated January 5, 2001

All Primary Co-operative Banks

Interest Rate on Export Credit

Please refer to our Circular No. UBD.DS.PCB.CIR.36/13.04.00/99-2000 dated May 25, 2000 regarding prescription of interest rate at 25 per cent per annum (minimum) for Export Credit Not Otherwise Specified (ECNOS) at post-shipment stage applicable to overdue export bills.

2. On a review of the current situation, it has been decided that the prescription of interest at 25 per cent per annum (minimum) would stand withdrawn effective from January 6, 2001 and banks would be free to decide the rate to be charged keeping in view their normal lending rates and also RBI's directives on interest rates on advances issued from time to time. Accordingly, a Directive UBD.No. DS.PCB.DIR 6/13.04.00/2000-01 dated January 5, 2001 amending the interest rate is enclosed.

3. The revision in the rate of interest as above with effect from January 6, 2001 will be applicable not only to fresh advances but also to the existing advances for the remaining period. However, the present instructions for ensuring that there is no deliberate attempt to delay repatriation of export receipts will remain in force.

Ref. No. UBD. DS.PCB.DIR 6/13.04.00/2000-01 dated January 5, 2001

Interest Rates on Advances

In exercise of the powers conferred by Section 21 and 35A read with Section 56 of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that with effect from January 6, 2001 the interest rate on rupee export credit indicated against item 4(b) in the Appendix to its Directive UBD.No.DS.PCB.Dir. 11/ 13.04.00/1999-2000 dated May 25, 2000 be changed as indicated in the Appendix enclosed to this Directive.

APPENDIX

Rate of Interest (per cent per annum)

Existing New (Effective January 6, 2001)

4. EXPORT CREDIT NOT OTHERWISE SPECIFIED

(b) Post-shipment credit	25.00 (Minimum)	Free@
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@Free- The banks are free to decide the rate of interest to be charged keeping in view their normal lending rates and also RBI's directives on interest rates on advances issued from time to time.

Ref. No. UBD. DS.PCB.CIR 27/13.04.00/2000-01 dated January 5, 2001

All Primary Co-operative Banks

Interest Rate Surcharge on Import Finance

Please refer to our Circular No. UBD.DS.PCB.CIR.35/13.04.00/99-2000 dated May 25, 2000 regarding introduction of the levy of the interest rate surcharge on import finance. On a review of the current situation, it has been decided to withdraw the interest rate surcharge on import finance effective January 6, 2001. Accordingly, fresh drawals as well as outstanding bank credit towards import finance will not be subject to the interest rate surcharge as from the said date.