

## *Regulatory and Other Measures*

July 2010

### **Reserve Bank of India: Master Circulars**

The Reserve Bank of India has revised the Master Circulars on July 1, 2010. Detailed Master Circulars may be accessed on the RBI website ([www.rbi.org.in](http://www.rbi.org.in)).

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### **Liquidity Adjustment Facility – Repo And Reverse Repo Rates**

RBI/2010-11/107 Ref. No. FMD.MOAG.No. 45/01.01.01/2010-11 dated July 2, 2010

All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers

On an assessment of the current macroeconomic situation, it has been decided to take the following monetary policy measures as a part of the calibrated exit from the expansionary monetary policy:

- to increase the repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 5.25 per cent to 5.50 per cent with immediate effect.
- to increase the reverse repo rate under the LAF by 25 basis points from 3.75 per cent to 4.00 per cent with immediate effect.

2. Also, on the basis of an assessment of the current liquidity situation, it has been decided to conduct the second LAF (SLAF) on a daily basis up to July 16, 2010.

3. All other terms and conditions of the current LAF Scheme will remain unchanged.

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### **Standing Liquidity Facilities for Banks and Primary Dealers**

RBI/2010-11/106 Ref. No.MPD.BC. 333/07.01.279/2010-11 dated July 2, 2010

All Scheduled Banks [excluding Regional Rural Banks (RRBs)] and Primary Dealers

Please refer to the Reserve Bank's Press Release 2010-11/22 dated July 2, 2010, in terms of which the repo rate under the Liquidity Adjustment Facility (LAF) has been increased by 25 basis points from 5.25 per cent to 5.50 per cent with immediate effect.

2. Accordingly, the Standing Liquidity Facilities provided to banks (export credit refinance) and Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the revised repo rate, *i.e.*, at 5.50 per cent with effect from July 3, 2010.

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### Credit Card Operations of Banks

RBI/2010-11/109 Ref. No. DBOD. FSD.BC.No. 25 /24.01.011/2010-11 dated July 9, 2010

All Scheduled Commercial Banks/NBFCs (excluding RRBs)

As banks are aware, Reserve Bank of India has issued comprehensive guidelines on credit card operations of banks, from time to time. These guidelines are also compiled in the form of a Master Circular issued every year, the last being the circular DBOD.No.FSD.BC.16/24.01.011/2010-11 dated July 1, 2010. The guidelines on credit card operations cover various aspects such as issue of credit cards, interest rates and other charges, wrongful billing, use of Direct Sales Agents (DSAs)/ Direct Marketing Agents (DMAs) and other agents, protection of customer rights covering among other things right to privacy, customer confidentiality and fair practices in debt collection, redressal of customer grievances, internal control and monitoring systems, fraud control, *etc.*, Banks have been advised as part of the said guidelines that Reserve Bank of India reserves the right to impose penalty

on a bank/NBFC under the provisions of the Banking Regulation Act, 1949/the Reserve Bank of India Act, 1934, respectively, for violation of any of these guidelines.

2. Banks have also been advised vide our circular no. DBOD.No.Dir.BC.93/13.03.00/2006-07 dated May 7, 2007 that they should prescribe a ceiling rate of interest, including processing and other charges in respect of small value personal loans and loans similar in nature. The above instructions are applicable to credit card dues also. In case, banks/NBFCs charge interest rates which vary based on the payment/default history of the cardholder, there should be transparency in levying of such differential interest rates. In other words, the fact that higher interest rates are being charged to the cardholder on account of his/her payment/default history should be made known to the cardholder. For this purpose, the banks should publicise through their website and other means, the interest rates charged to various categories of customers. Banks/NBFCs have also been advised that they should indicate to the credit card holder upfront, the methodology of calculation of finance charges with illustrative examples, particularly in situations where only a part of the amount outstanding is paid by the customer.

3. Despite the issue of comprehensive instructions as above to banks, it is observed that Reserve Bank of India and the Offices of the Banking Ombudsmen, continue to receive numerous complaints from credit card holders regarding the credit card operations of the banks, especially with regard to excessive finance charges, issuance of unsolicited credit cards, unsolicited insurance policies and recovery of premium charges, charging of annual fee in spite of being offered as 'free'

cards, issuance of loans over phone, disputes over wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card-holder, offensive calls, difficulty in accessing the credit card issuers and the poor response from the call centres, *etc.*

4. All banks are, therefore, once again advised to strictly adhere to the guidelines contained in the Master Circular on Credit Card Operations, both in letter and spirit, failing which Reserve Bank of India shall be constrained to initiate suitable penal action, including levy of monetary penalties, under the relevant statutory provisions.

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### Section 23 of Banking Regulation Act, 1949 – Mobile Branches and Mobile ATMs

RBI/2010-11/132 Ref. No. DBOD.No. BL.BC.27/22.01.001/2010-11 dated July 23, 2010 Shravana 1, 1932 (S)

All Scheduled Commercial Banks (excluding RRBs)

In terms of our circular DBOD.No.BL.BC.65/22.01.001/2009-10 dated December 1, 2009, general permission was granted to domestic Scheduled Commercial Banks (other than RRBs) to open branches in Tier 3 to Tier 6 centres (with population upto 49,999 as per Census 2001) and in rural, semi-urban and urban centres in the North-Eastern States and Sikkim, subject to reporting.

2. It has since been decided to further liberalise the Branch Authorisation Policy and grant general permission to domestic Scheduled Commercial Banks (other than RRBs) to operationalise Mobile branches in Tier 3 to Tier 6 centres (with population upto

49,999 as per Census 2001) and in rural, semi-urban and urban centres in the North Eastern States and Sikkim, subject to reporting.

3. The scheme of mobile branch envisages the extension of banking facilities through a well-protected van with arrangements for two or three officials of the bank sitting in it with books, safe containing cash, *etc.* The mobile unit would visit the places proposed to be served by it on specific days/hours. The mobile branch should not visit villages/centres which are served by co-operative banks and places served by regular branches of commercial banks. The mobile branch should be stationed in each village/location for a reasonable time on specified days and specified hours, so that its services could be utilised properly by customers. The business transacted at the mobile branch shall be recorded in the books of the base branch/data centre. The bank may give wide publicity about the mobile branch in the village, including details of 'specified days and working hours' at various locations so as to avoid any confusion to local customers; and any change in this regard should also be publicised. In order to inform public/customers, arrangement should be made to display these details in the areas serviced by the mobile branch.

4. Further, it has been decided to grant general permission to Scheduled Commercial Banks (other than RRBs) to operationalise Mobile ATMs at centres/places identified by them, without prior permission from the Reserve Bank, subject to reporting. Other conditions stipulated in our circular DBOD.No.BL.BC.137/22.01.001/2008-09 dated June 12, 2009 remain unchanged.

5. The details of the mobile branches and mobile ATMs should be reported to Reserve

Bank of India in the proforma given in Annex, as required in terms of paragraph 19 of our Master circular DBOD.No.BL.BC.8/22.01.001/20010-11 dated July 1, 2010.

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### **Liquidity Adjustment Facility – Repo and Reverse Repo Rates**

RBI/2010-2011/138 Ref. No. FMD.MOAG.No.48/01.01.01/2010-11 dated July 27, 2010

All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers

As announced in the First Quarter Review of Monetary Policy 2010-11, it has been decided to increase the repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 5.50 per cent to 5.75 per cent and the reverse repo rate by 50 basis points from 4.00 per cent to 4.50 per cent with effect from Second LAF of July 27, 2010.

2. All other terms and conditions of the current LAF Scheme will remain unchanged.

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### **Standing Liquidity Facilities for Banks and Primary Dealers**

RBI/2010-11/140 REF.No.MPD.BC. 335/07.01.279/2010-11 dated July 27, 2010

All Scheduled Banks [excluding Regional Rural Banks (RRBs)] and Primary Dealers

Please refer to the First Quarter Review of Monetary Policy 2010-11 dated July 27,

2010, in terms of which the repo rate under the Liquidity Adjustment Facility (LAF) has been increased by 25 basis points from 5.50 per cent to 5.75 per cent with immediate effect.

2. Accordingly, the Standing Liquidity Facilities provided to banks (export credit re-finance) and Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the revised repo rate, *i.e.*, at 5.75 per cent with effect from July 27, 2010.

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### **Loan facilities to the physically/visually challenged by NBFCs**

RBI/2010-11/143 Ref. No. DNBS.CC.PD.No.191/03.10.01/2010-11 dated July 27, 2010

All NBFCs

It has been brought to our notice that a NBFC has discriminated against physically/visually challenged persons in the matter of offering loans.

2. NBFCs are, therefore, advised that there shall be no discrimination in extending products and facilities including loan facilities to the physically/visually challenged applicants on grounds of disability. NBFCs may also advise their branches to render all possible assistance to such persons for availing of the various business facilities.