

Regulatory and Other Measures

September 2012

RBI/2012-13/191 DBOD.No. Leg.BC. 38/09.07.005/2012-13 dated September 5, 2012

All Scheduled Commercial Banks
(excluding RRBs)

Banking facilities to visually challenged/ persons with disabilities

Please refer to our Circular DBOD. No. Leg BC. 91/09.07.005/2007-08 dated June 4, 2008 on the captioned subject advising that all banking facilities such as cheque book facility including third party cheques, ATM facility, Net banking facility, locker facility, retail loans, credit cards *etc.*, are invariably offered to visually challenged persons without any discrimination as they are legally competent to contract. Further, please also refer to Circular DBOD.No.Leg. BC.123/09.07.005/2008-09 dated April 13, 2009 advising banks to take necessary steps to provide all existing ATMs/future ATMs with ramps and to make at least one third of new ATMs installed as talking ATMs with Braille keypads.

2. It has been brought to our notice by Office of the Chief Commissioner for Persons with Disabilities that visually challenged persons are facing problems in availing banking facilities like internet banking. Banks are, therefore, advised to strictly adhere to instructions contained in the above circulars and extend all banking facilities to persons with blindness, low-vision and other disabilities.

RBI/2012-13/192 UBD.BPD.Cir.No. 7/13.01.000//2012-13 dated September 6, 2012

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

Interest Rate on Deposits

Please refer to our circular UBD.No.DS.PCB. CIR.53/13.01.00/97-98 dated April 29, 1998 whereby banks were permitted to offer, at their discretion,

differential rates of interest on single term deposits of ` 15 lakh and above, subject to the condition that the schedule of interest rates payable on deposits, including deposits on which differential interest is paid, is disclosed in advance and not subject to negotiation between the depositor and the bank.

2. In this connection, attention is invited to paragraphs 84 and 85 of the Monetary Policy Statement 2012-13 announced on April 17, 2012 on variation in Interest Rates on Deposits. It has been observed that there are wide variations in the interest rates offered by banks on single term deposits of ` 15 lakh and above and those offered on other deposits (*i.e.* deposits less than ` 15 lakh) of corresponding maturities. Further, banks are offering significantly different rates on deposits with very little difference in maturities suggesting inadequate liquidity management systems and pricing methodologies. Urban Co-operative Banks are, therefore, advised to put in place a Board approved transparent policy on pricing of liabilities. The Board/ALCO should ensure that the variation in interest rates on single term deposits of ` 15 lakh and above and other term deposits (*i.e.* deposits less than ` 15 lakh) is minimal for corresponding maturities.

RBI/2012-13/199 DBOD.BP.BC.No.40/21.04.172/2012-13 dated September 11, 2012

All Scheduled Commercial Banks
(excluding RRBs)

Bank Finance to Factoring Companies

Please refer to paragraph 2 of our circular DBOD. BP.BC.No.60/08.12.01/2007-08 dated February 12, 2008 on 'Bank Finance to Factoring Companies', in terms of which banks can extend financial assistance to support the factoring business of Factoring Companies which comply with certain criteria.

2. Subsequent to the issue of the above circular, the Factoring Regulation Act, 2011, which regulates factoring companies and, inter-alia, defines the terms 'factor, factoring business, principal business, assignment', etc., has come into force. The Act has also given powers to the Reserve Bank to stipulate conditions for 'principal business' in terms of assets and gross income as also powers to give directions and collect information from factors.

3. Accordingly, the Reserve Bank has introduced a new category of NBFCs viz.; 'Non-Banking Financial Company – Factors' and has issued a Notification DNBS. PD.No.247/CGM(US)-2012 dated July 23, 2012 in this regard. Paragraph 6 (i) of the above Notification has prescribed 'Principal Business' of such an NBFC and it states that "An NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least 75 percent of its total assets and its income derived from factoring business is not less than 75 percent of its gross income."

4. In view of the above, the criteria regarding asset and income of factoring companies eligible for bank finance have been reviewed. Accordingly, banks can henceforth extend financial assistance to support the factoring business of Factoring Companies which comply with the following criteria:

- (a) The companies qualify as factoring companies and carry out their business under the provisions of the Factoring Regulation Act, 2011 and Notifications issued by the Reserve Bank in this regard from time to time.
- (b) They derive at least 75 per cent of their income from factoring activity.
- (c) The receivables purchased / financed, irrespective of whether on 'with recourse' or 'without recourse' basis, form at least 75 per cent of the assets of the Factoring Company.
- (d) The assets / income referred to above would not include the assets / income relating to any bill discounting facility extended by the Factoring Company.

- (e) The financial assistance extended by the Factoring Companies is secured by hypothecation or assignment of receivables in their favour.

RBI/2012-13/208 DBOD.No.BP.BC/42/21.04.048/2012-13 dated September 14, 2012

The Chairman and Managing Director/
Chief Executive Officer of
All Scheduled Commercial Banks
(Excluding RRBs)

NPA Management – Requirement of an Effective Mechanism and Granular Data

Please refer to the paragraph 100 of the Monetary Policy Statement 2012-13 announced on April 17, 2012.

2. As mentioned therein, asset quality of banks is one of the most important indicators of their financial health. However, it has been observed that existing MIS on the early warning systems of asset quality, needed improvement. Banks are, therefore, advised that they should review their existing IT and MIS framework and put in place a robust MIS mechanism for early detection of signs of distress at individual account level as well as at segment level (asset class, industry, geographic, size, etc.). Such early warning signals should be used for putting in place an effective preventive asset quality management framework, including a transparent restructuring mechanism for viable accounts under distress within the prevailing regulatory framework, for preserving the economic value of those entities in all segments.

3. The banks' IT and MIS system should be robust and able to generate reliable and quality information with regard to their asset quality for effective decision making. There should be no inconsistencies between information furnished under regulatory/statutory reporting and the banks' own MIS reporting. Banks are also advised to have system generated segment wise information on non-performing assets and restructured assets which may include data on the opening balances,

additions, reductions (upgradations, actual recoveries, write-offs *etc.*), closing balances, provisions held, technical write-offs, *etc.*

RBI/2012-13/214 RPCD.MSME&NFS.BC.No. 30/06.11.01/2012-13 dated September 18, 2012

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

The Scheme of 1 per cent Interest Subvention on Housing Loans up to ₹ 15.00 lakh

Please refer to our circular RPCD.SME&NFS.BC.No.29/06.11.01/2011-12 dated November 04, 2011 on the captioned subject. In this connection, it is now advised that:

- a. The interest subvention scheme has been liberalised with effect from FY 2011-12 by extending it to housing loans up to ₹ 15 lakh where the cost of the house does not exceed ₹ 25 lakh. The Scheme has since been extended by Government of India and will remain in force up to March 31, 2013.
- b. A Budgetary provision of ₹ 400.00 crore has been made under the Scheme for the year 2012-13 by Government of India.
- c. The National Housing Bank is the sole Nodal Agency for implementation of the Scheme for Scheduled Commercial Banks, Regional Rural Banks and Housing Finance Companies.
- d. All SCBs are advised to implement the Scheme vigorously, submit their claims to NHB expeditiously and extend the benefits of the Scheme to all eligible borrowers/beneficiaries. SCBs are further requested to give wide publicity to the Scheme.

RBI/2012-13/221 FMD.MSRG. No.71/02.02.001/2012-13 dated September 25, 2012

The Chairmen/Chief Executives of
All Scheduled Commercial Banks (excluding RRBs)

Reporting of OTC Call/Notice/Term Money transactions

The Reserve Bank of India is in the process of implementing a core banking solution. With the implementation of the core banking solution, the Negotiated Dealing System (NDS) would not be available for reporting of OTC Call/Notice/Term Money transactions.

2. In this context, it may be mentioned that all the OTC Call/Notice/Term money deals, which are presently being reported over NDS, will be reported over the reporting platform of NDS-Call by the parties who are having NDS-Call membership from November 1, 2012. Parties who are not having membership of NDS-Call are advised to report the deals to FMD either through e-mail or through fax (022-22630981) in the Reporting format given in Annex II of Call/Notice Money Master Circular dated July 2, 2012.

RBI/2012-13/224 UBD.BPD.(PCB) Cir No.12/09.16.900/2012-13 dated September 26, 2012

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

Financial Restructuring of UCBs

Please refer to our circular UBD.PCB.Cir.No.39/09.16.900/08-09 dated January 23, 2009 stating that the Reserve Bank would consider financial restructuring proposals as an additional option for resolution of problem banks. The conditions under which such proposals would be considered are contained in para 3 of the above circular.

2. The matter has been reviewed and it is advised that in partial modification of para 3 (v) of the circular, the Reserve Bank would, henceforth, consider financial restructuring proposals submitted by UCBs, involving conversion of deposits into equity/IPDI, even if the

networth of the bank does not become positive after such conversion of deposits, provided the depositors agree voluntarily for such conversion.

3. All the other criteria mentioned in our circular dated January 23, 2009 remain unchanged.

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RBI/2012-13/226 UBD.BPD (PCB) Cir.

No.13/14.01.062/2012-13 dated September 27, 2012

The Chief Executive Officer of

All Primary (Urban) Co-operative Banks

Uploading of Reports in 'Test Mode' on FINnet Gateway

Please refer to our circular UBD.CO.BPD. No.10/12.05.001/2011-12 dated November 9, 2011 advising Primary (Urban) Co-operative Banks regarding introduction of single XML reporting format under Project FINnet for furnishing reports to FIU-IND under the PML Rules, 2005. Primary (Urban) Co-operative Banks were also advised to develop capacity and be in readiness to implement the new format as and when advised by FIU-IND.

2. FIU-IND have now advised vide their letter F. No. 9-29/2011-FIU-IND dated August 28, 2012, that all banks should initiate submission of reports on the FINnet Gateway in 'TEST MODE' from August 31, 2012 to test their ability to upload the report electronically. Such

submission in 'TEST MODE' would continue till FIU-IND informs the banks about 'go-live' of the project. The reporting entities may contact FIU Help Desk at email or phone numbers 011-24109792/93 for any clarification or assistance. Primary (Urban) Co-operative Banks are also required to continue to submit the existing reports in CD to FIU-IND as presently required till further notice.

3. Primary (Urban) Co-operative Banks are accordingly advised to take action as required by FIU-IND.

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RBI/2012-13/229 DBOD.No.Ret.BC.48/12.02.001/2012-13 dated September 28, 2012

Local Area Banks – SLR reduced

Section 24 of the Banking Regulation Act, 1949 Maintenance of Statutory Liquidity Ratio (SLR) - Local Area Banks

Please refer to our circular DBOD.No.Ret. BC.62/12.02.001/2009-10 dated November 19, 2009 on the captioned subject.

2. It has been decided that Statutory Liquidity Ratio for Local Area Banks be reduced from 25 per cent to 23 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the fortnight beginning August 11, 2012.