

Regulatory and Other Measures

October 2009

RBI/2009-10/178 RPCD.CO RRB No. 29/
03.05.33/2009-10 dated October 6, 2009

RRBs - Priority Sector Lending – Categorisation of activities under service under the MSMED Act, 2006

In terms of paragraphs 2.1.1 and 2.1.2 of Section I of the guidelines on lending to priority sector enclosed to circular RPCD.No.RRB.BC.20/03.05.33/2007-08 dated August 22, 2007, credit to small enterprises includes loans granted to micro and small (manufacturing and service) enterprises, provided investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries *vide* its notification no. S.O. 1722 (E) dated October 5, 2006] does not exceed Rs. 5 crore in respect of manufacturing enterprises and investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) does not exceed Rs. 2 crore in respect of service enterprises. Further, in terms of paragraphs 3.1 and 3.2, Retail Trade forms a separate category under priority sector.

2. The Government of India, *vide* communication No. 5(6)/2/2009-MSME POL dated June 12, 2009, has indicated the categorisation of activities under services under the Micro Small and Medium Enterprises Development (MSMED) Act, 2006.

On examination, it has been decided to include loans granted by Regional Rural Banks (RRBs) in respect of following activities under Micro and Small (Service) Enterprises within the priority sector, provided such enterprises satisfy the definition of Micro and Small

(Service) Enterprises in respect of investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) (*i.e.* not exceeding Rs. 10 lakh and Rs. 2 crore respectively). (a) Consultancy Services including Management Services; (b) Composite Broker Services in Risk and Insurance Management; (c) Third Party Administration (TPA) Services for Medical Insurance Claims of Policy Holders; (d) Seed Grading Services; (e) Training-cum-Incubator Centre; (f) Educational Institutions; (g) Training Institutes; (h) Retail Trade; (i) Practice of Law, *i.e.* legal services; (j) Trading in medical instruments (brand new); (k) Placement and Management Consultancy Services; and (l) Advertising agency and Training centres.

3. Accordingly, there will be no separate category for "Retail Trade" under priority sector. Loans granted by RRBs for Retail Trade [*i.e.* advances granted to retail traders dealing in essential commodities (fair price shops), consumer co-operative stores; and advances granted to private retail traders with credit limits not exceeding Rs. 20 lakh] would hence forth be part of the Small (Service) Enterprise.

4. Please acknowledge receipt to our Regional Office concerned.

RBI/2009-10/181 RPCD.CO.RF.BC.No.31/07.38.01/2009-10 dated Oct 12, 2009

All State and Central Co-operative Banks

StCBs/DCCBs – Payment of Interest on Savings Bank Account on a Daily Basis

Please refer to paragraph 3 (iii) of our directive RPCD.No.RF.Dir.BC.53/D.1-87/88

dated November 2, 1987, in terms of which interest in the case of savings deposits shall be calculated on the minimum balance to the credit of the deposit account during the period from the 10th to the last day of each calendar month.

2. On a review, it has been decided that the interest on balances in savings bank accounts would be calculated on a daily product basis with effect from April 01, 2010. All State and Central Co-operative Banks are advised to work out modalities to effect a smooth transition to the revised procedure.

RBI/2009-10/183 RPCD.SP.BC.No.30 / 09.16.01/ 2009 -10 dated October 12, 2009

The Chairman/Managing Director
All Scheduled Commercial Banks
(Excluding RRBs)

Swarna Jayanti Shahari Rozgar Yojana (SJSRY) Revised Guidelines - 2009

Please refer to our Master Circular RPCD.SP.BC.No 3/09.16.01/2009-10 dated July 1, 2009, issuing instructions/directives to banks with regard to operationalisation of the Swarna Jayanti Shahari Rozgar Yojana (SJSRY).

2. On a review, the Ministry of Housing & Urban Poverty Alleviation has comprehensively revised the SJSRY Scheme. The revised guidelines will come in to effect immediately.

3. However, as regards mechanism of administering the subsidy under the revised scheme and new reporting formats, we have sought clarifications from the Ministry of Housing & Urban Poverty Alleviation and, as a result, clarifications/instructions in this regard would be communicated as soon as received from the Government of India.

4. In the meantime, please take appropriate action as envisaged for banks in the said documents and issue necessary instructions to your branches / controlling offices for successful implementation of the scheme.

5. Kindly acknowledge receipt.

RBI / 2009-10/186 RPCD.No.PLFS.BC. 33/
05.04.02/2009-10 dated October 22, 2009

The Chairman/Managing Director
All Public Sector Banks

2 per cent interest subvention scheme continued/1 per cent additional incentive subvention for short-term crop loans in 2009-10

As you are aware, the Hon'ble Finance Minister, in his Budget Speech (paragraph 27) for 2009-10 had announced as follows:

"I propose to continue the interest subvention scheme for short term crop loans to farmers for loans upto Rs.3 lakh per farmer at the interest rate of 7 per cent per annum".

2. In pursuance of this announcement, Government will provide interest subvention of 2 per cent per annum to Public Sector Banks in respect of short-term production credit up to Rs.3 lakh provided to farmers. This amount of subvention will be calculated on the crop loan amount from the date of its disbursement/drawal up to the date of repayment or up to the date beyond which the outstanding loan becomes overdue *i.e.* March 31, 2010 for Kharif and June 30, 2010 for Rabi, respectively, whichever is earlier, subject to a maximum period of one year. This subvention will be available to Public Sector Banks on the condition that they make

available short-term credit at ground level at 7 per cent per annum.

3. Banks are advised to immediately submit their estimates of short-term production credit to farmers up to Rs.3.00 lakh for Kharif and Rabi 2009-10 (separately) to enable us to provide Government with an estimate of the likely amount of subvention. Please note that the estimates should be realistic in nature.

4. It is also advised as under:

- i) In order to enable the Government to provide subvention, banks are required to submit their claims on a half-yearly basis as at September 30, 2009 and March 31, 2010, and for the quarter ending June 30, 2010 (for *Rabi*), within one month from the respective dates.
- ii) The claims for the half-year ending March 31, 2010 and quarter ending June 30, 2010 (for *Rabi*) should be accompanied by a Statutory Auditor's certificate certifying that the claims for subvention for the entire year ended March 31, 2010 and quarter ending June 30, 2010 (as the case may be) as true and correct. Final settlement of the claims will be done only on receipt of this certificate.
- iii) Claims may be submitted to the Chief General Manager-in-Charge, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001.

5. Further, the Hon'ble Finance Minister, in his Budget Speech (paragraph 27) for 2009-10 had announced as follows:

"I am also happy to announce that, for this year, the Government shall pay

an additional subvention of 1 per cent as an incentive to those farmers who repay their short term crop loans on schedule. Thus, the interest rate for these farmers will come down to 6 per cent per annum."

6. In pursuance of this announcement, Government will provide additional interest subvention of 1 per cent per annum to Public Sector Banks in respect of those prompt paying farmers who repay their short-term production credit within one year of disbursement of such loans. This subvention will be available to such farmers on the short-term production credit availed by them during the year for a maximum amount of Rs.3 lakh and the amount of subvention will be calculated from the date of disbursement/drawal up to the date of repayment subject to a maximum period of up to one year per farmer account. This subvention will be available to Public Sector Banks on the condition that the effective interest rate charged to the prompt paying farmers is 6 per cent per annum up to Rs. 3 lakh. This process is being adopted to incentivise the prompt payers as well as the lending institutions so that the line of credit remains declogged, thus increasing the availability of institutional credit to farmers throughout the year.

7. It is therefore advised as under:

- i) In order to enable the Government to provide subvention, banks may credit the additional 1 per cent subvention to the farmers account only after their prompt repayment as stated earlier and seek reimbursement subsequently. The banks may submit their one-time consolidated claims for the entire year, incorporating the claims pertaining to

both *Kharif* and *Rabi* disbursements for the year 2009-10, latest by July 31, 2010.

- ii) The claims should be accompanied by a Statutory Auditor's certificate certifying that the claims for subvention for the entire year ended March 31, 2010, as true and correct.
- iii) Claims may be submitted to the Chief General Manager-in-Charge, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001.

8. In case of RRBs and co-operatives, a separate circular will be issued by NABARD

RBI/2009-10/191 UBD.BPD.No.16 / 09.22.010/ 2009-10 dated October 26 , 2009

Chief Executive Officer Primary (Urban) Cooperative Banks

UCBs - Finance for Housing Projects – Disclosure of Information on Mortgage of Property

Finance for Housing Projects – incorporating clause in the terms and conditions to disclose in pamphlets / brochures / advertisements – information regarding mortgage of property to the bank

Please refer to para 9 and Annex 1 of our circular UBD.PCB.MC.No. 2 / 09.22.010 / 2009-10 dated July 1, 2009 (Master circular on Housing Finance) regarding precautions to be taken by banks while extending finance for housing schemes.

2. In a case which came up before the Hon'ble High Court of Judicature at Bombay, the Hon'ble Court observed that the bank granting finance to housing/ development projects should insist on disclosure of the charge / or any other liability on the plot, in the brochure, pamphlets *etc.*, which may be published by developer/ owner inviting public at large to purchase flats and properties. The Court also added that this obviously would be part of the terms and conditions on which the loan may be sanctioned by the bank.

3. Keeping in view the above observations, while granting finance for eligible housing schemes, Urban Cooperative Banks are advised to stipulate as part of terms and conditions that:

- i. The builder / developer / company, disclosed / would disclose in the pamphlets / brochures *etc.*, the name(s) of the bank(s) to which the property is mortgaged.
- ii. The builder / developer / company would append the information relating to mortgage while publishing advertisement of a particular scheme in newspapers / magazines *etc.*
- iii. The builder / developer / company would indicate in their pamphlets/ brochures that they would provide No Objection Certificate (NOC)/ permission of the mortgagee bank for sale of flats / property if required.

4. Banks are also advised to ensure compliance of the above terms and conditions and funds should not be released unless the builder / developer / company fulfils the above requirements.

RBI/2009-10/193 Ref. MPD. No.1437/
02.01.005/2009-10 dated October 27, 2009
Kartika 4, 1931 (S)

All Scheduled Banks [excluding Regional Rural Banks (RRBs)]

Export Credit Refinance Facility

Please refer to our circular No.MPD.310/07.01.279/2008-09 dated November 15, 2008 whereby the eligible limit of export credit refinance (ECR) facility was enhanced from the level of 15 per cent of the outstanding rupee export credit eligible for refinance as at the end of the second preceding fortnight to 50 per cent.

2. As indicated in the Second Quarter Review of Monetary Policy 2009-10, it has been decided to reduce the eligible limit of ECR facility from the level of 50 per cent of the outstanding rupee export credit eligible for refinance as at the end of the second preceding fortnight to 15 per cent with immediate effect.

3. Part A of the reporting format appearing in Annex III of the Master Circular No.MPD.4627/07.01.279/2009-10 dated July 1, 2009 is accordingly modified and enclosed.

Annex III Reporting Formats

Form DAD 389

Name of the Bank

Statement showing the Export Credit Refinance Limit for the Fortnight ended _____

PART – A

(Rs. In lakh)

1. Outstanding Export Credit as on the last Friday of the second preceding reporting fortnight* _____

2. Export Credit Refinance Limit (15 per cent of item no.1)

* Outstanding Export Credit for the purpose of working out refinance limits will be aggregate outstanding export credit minus export bills rediscounted with other banks/ Exim Bank/Financial Institutions, export credit against which refinance has been obtained from NABARD/Exim Bank, pre-shipment credit in foreign currency (PCFC), export bills discounted/rediscounted under the scheme of 'Rediscounting of Export Bills Abroad', overdue rupee export credit and other export credit not eligible for refinance.

RBI/2009-10/194 Ref.No.MPD.BC.1438/02.01.005/2009-10 dated October 27, 2009

All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Special Refinance Facility

Special Refinance Facility (SRF) under Section 17(3B) of the Reserve Bank of India Act, 1934

Please refer to our circulars Ref.No.MPD.BC.309/02.01.009/2008-09 dated November 3, 2008 and MPD.BC.322/02.01.009/2008-09 dated April 22, 2009 regarding the Special Refinance Facility (SRF) under Section 17(3B) of the Reserve Bank of India Act, 1934.

In terms of this facility all scheduled commercial banks (excluding RRBs) are provided refinance from the Reserve Bank equivalent to up to 1.0 per cent of each bank's net demand and time liabilities (NDTL) as on October 24, 2008 at the repo rate under the liquidity adjustment facility (LAF) up to a maximum period of 90 days during which refinance can be flexibly drawn and repaid.

2. As indicated in the Second Quarter Review of Monetary Policy 2009-10, it has been decided to discontinue this facility with immediate effect. Accordingly, banks cannot avail fresh refinance from the Reserve Bank under the facility. Outstandings under this facility, if any, should be repaid within the stipulated time of 90 days from the first day of utilisation as mentioned in the circular Ref.No.MPD.BC.309/02.01.009/2008-09 dated November 3, 2008.

MPD.BC.325/07.01.279/2009-10 dated October 27, 2009

Second Quarter Review of Monetary Policy 2009-10 (Including Review of Developmental and Regulatory Policies)

Please refer to Monetary Policy Statement 2009-10 section of the bulletin.

RBI/2009-10/197 MPD.BC.326 /07.01.279/2009-10 dated October 28, 2009 Kartika 5, 1931(S)

All Scheduled Commercial Banks

Interest Rate Ceiling on Rupee Export Credit

Please refer to our circular No. MPD.BC.323/07.01.279/2008-09 dated April 28, 2009 in terms of which the ceiling on

interest rates on pre-shipment rupee export credit up to 270 days and post-shipment rupee export credit up to 180 days has been stipulated at BPLR minus 2.5 per cent, valid up to October 31, 2009.

2. It has been decided to extend the validity of the above dispensation up to April 30, 2010 (Annex).

3. Kindly acknowledge receipt.

Annex

Category	With effect from November 1, 2009 (up to April 30, 2010)
Pre-shipment Rupee Export Credit Up to 270 days	Not exceeding BPLR minus 2.5 percentag points
Post –shipment Rupee Export Credit (a) On demand bills for transit period (as specified by FEDAI) (b) Usance bills up to 180 days	Not exceeding BPLR minus 2.5 percentage points Not exceeding BPLR minus 2.5 percentage points.

BPLR : Benchmark Prime Lending Rate.

Note: 1. Since these are ceiling rates, banks would be free to charge any rate below the ceiling rates.

2. Interest rates for the above-mentioned categories beyond the tenors as prescribed above are free.