

## *Regulatory and Other Measures*

**July 2009**

### **Reserve Bank Master Circulars:**

The Reserve Bank of India has revised the master circulars on July 01, 2009. Detailed Master Circulars may be accessed on the RBI website ([www.rbi.org.in](http://www.rbi.org.in))

RBI/2009-10/92 Ref. No. RPCD.CO.RRB.BC No. 11/03.05.33/2009-10 dated July 1, 2009

The Chairman  
All Regional Rural Banks

### **Agricultural Debt Waiver and Debt Relief Scheme, 2008 – Prudential Norms on Income Recognition, Asset Classification and Provisioning and Capital Adequacy- RRBs**

Please refer to our circulars RPCD.CO.RRB.No.BC.18 /03.05.072/2008-09 July 30, 2008; RPCD.CO.RRB.No.BC.64/03.05.072/ 2008-09 November 17, 2008 and RPCD.CO.RRB.No.BC.92/03.05.072/2008-09 March 23, 2009, on the captioned subject.

2. In terms of the circular dated March 23, 2009, we had advised that the Government of India had decided to extend the last date of repayment of first instalment by the "other farmers" under the Debt Relief Scheme, from September 30, 2008 to March 31, 2009. The dates of payment of second and third instalments remained unchanged at March 31, 2009 and June 30, 2009.

3. The Government of India has now decided to make the accounts of "other farmers" eligible for a debt relief of 25% from Government of India, even if they pay their entire share of 75% as one single installment, provided the same is deposited by such farmers till June 30, 2009. The RRBs will not charge any interest on the eligible amount till June 30, 2009. A copy of the Government of India's letter F. No. 3/9/2008-AC dated June 12, 2009 is enclosed.

4. The Government of India has also advised that the banks/lending institutions are allowed to receive even less than 75% of the eligible amount under OTS provided the banks/lending institutions bear the difference themselves and do not claim the same either from the Government or from the farmer. The Government will pay only 25% of the actual eligible amount under debt relief.

5. All other terms of the aforesaid circulars including provisioning remain unchanged.

RBI/2009-10/99 Ref. No. DBOD.BP.BC.No. 23/21.06.001/2009-10 dated July 7, 2009

The Chairman and Managing Directors/Chief Executive Officers of All Scheduled Commercial Banks (Excluding RRBs and LABs)

### Introduction of Advanced Approaches of Basel II Framework in India – Time Schedule

Please refer to our circular DBOD.No.BP.BC.90/20.06.001/2006-07 dated April 27, 2007 on the New Capital Adequacy Framework in terms of which foreign banks operating in India and Indian banks having operational presence outside India have migrated to the simpler approaches available under the Basel II Framework since March 31, 2008. Other commercial banks have also migrated to these approaches from March 31, 2009. Thus, the Standardised Approach for credit risk, Basic Indicator Approach for operational risk and the Standardised Duration Approach for market risk (as slightly amended under Basel II framework) have been implemented for the banks in India.

2. Having regard to the necessary up-gradation of risk management framework as

also capital efficiency likely to accrue to the banks by adoption of the advanced approaches envisaged under the Basel II Framework and the emerging international trend in this regard, it is considered desirable to lay down a timeframe for implementation of the advanced approaches in India. This would enable the banks to plan and prepare for their migration to the advanced approaches for credit risk and operational risk, as also for the Internal Models Approach (IMA) for market risk.

3. Keeping in view the likely lead time that may be needed by the banks for creating the requisite technological and the risk management infrastructure, including the required databases, the MIS and the skill up-gradation, etc., it is proposed to lay down the following time schedule for implementation of the advanced approaches for the regulatory capital measurement:

Sr.	Approach	The earliest date of making application by banks to the RBI	Likely date of approval by the RBI
a.	Internal Models Approach (IMA) for Market Risk	April 1, 2010	March 31, 2011
b.	The Standardised Approach (TSA) for Operational Risk	April 1, 2010	September 30, 2010
c.	Advanced Measurement Approach (AMA) for Operational Risk	April 1, 2012	March 31, 2014
d.	Internal Ratings-Based (IRB) Approaches for Credit Risk (Foundation- as well as Advanced IRB)	April 1, 2012	March 31, 2014

4. The banks are advised to undertake an internal assessment of their preparedness for migration to advanced approaches, in the light of the criteria envisaged in the Basel II document, as per the aforesaid time schedule, and take a decision, with the approval of their Boards, whether they would like to migrate to any of the advanced approaches. The banks deciding to migrate to the advanced approaches may approach us for necessary approvals, in due course, as per the stipulated time schedule. If, the result of a bank's internal assessment indicates that it is not in a position to apply for implementation of advanced approach by the above mentioned dates, it may choose a later date suitable to it based upon its preparation.

5. It may please be noted that the banks, at their discretion, would have the option of adopting the advanced approaches for one or more of the risk categories, as per their preparedness, while continuing with the simpler approaches for other risk categories, and it would not be necessary to adopt the advanced approaches for all the risk categories simultaneously. However, the banks should invariably obtain prior approval of the RBI for adopting any of the advanced approaches.

Ref. No. DBOD.BP.No. 502 / 08.12.015/ 2008-09 dated July 7, 2009

All Commercial Banks (excluding RRBs )

### **Revised draft guidelines on Commercial Real Estate (CRE) Exposures**

Please refer to our circular DBS.CO.PP.BC.21/11.01.005/2004-05 dated June 29, 2005 on the captioned subject.

2. In view of a number of queries received from banks and other quarters as to whether or not certain exposures should be treated as CRE Exposure, as also in the light of switching over to Basel-II Framework which has specific provisions relating to such exposures, it was decided to review the definition of CRE Exposure. Draft guidelines were placed on the RBI website vide our circular No. DBOD.BP.No. 11021/08.12.015/ 2008-09 dated January 7, 2009 for comments of banks and general public.

3. In the light of the comments and suggestions received the proposed definition has been revised. In view of the modifications, it is considered appropriate to seek comments of banks and public again. Accordingly, revised draft of the guidelines is annexed for comments of banks and general public. The comments may be sent to Chief General Manager-in-Charge, Department of Banking Operations and Development, 12th Floor, Central Office, Reserve Bank of India, Fort, Mumbai- 400 001 by July 16, 2009. The comments may also be sent through e-mail .

RBI/2009-10/105 Ref. No. DPSS.CO.PD.No. 147/02.14.003/ 2009-10 dated July 22, 2009

All System Providers (VISA / MasterCard / American Express), All Scheduled Commercial banks

### **Cash Withdrawal at Point-of-Sale (POS)**

Presently cash withdrawal facility using plastic cards is available only at Automatic Teller Machines (ATMs). As on May 31, 2009, number of ATMs and POS terminals in the country stood at 44,857 and 4,70,237

respectively. The use of debit cards at Point-of-Sale (POS) terminals at different merchant establishments has been steadily increasing. As a further step towards enhancing the customer convenience in using the plastic money, it has been decided to permit cash withdrawals at POS terminals. To start with, this facility will be available for all debit cards issued in India, upto Rs.1000/- per day.

2. The conditions subject to which this facility is being extended is given in the Annex.

3. Banks may obtain the approval of their Board of Directors for offering this facility. The note put up to the Board should incorporate the product profile, risk perceived by the bank and the risk mitigation measures.

4. This circular is being issued in exercise of the powers conferred on the Reserve Bank under Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

RBI/2009-10/106 A.P. (DIR Series) Circular No. 05 dated July 22, 2009

All Category – I Authorised Dealer banks

### **Issue of Indian Depository Receipts (IDRs)**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Companies (Issue of Indian Depository Receipts) Rules, 2004 (IDR Rules) notified by the Ministry of Corporate Affairs and subsequent amendments made thereto and Circular No. SEBI / CFD / DIL / DIP / 20 / 2006 / 3 / 4 dated April 3, 2006 issued by the Securities and Exchange Board of India (SEBI) regarding issue of Indian Depository Receipts

by foreign companies in India and the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

2. In order to facilitate the eligible companies resident outside India to issue Indian Depository Receipts (IDRs) through a Domestic Depository and to permit persons resident in India and outside India to purchase, possess, transfer and redeem IDRs, it has been decided to operationalise the IDR Rules, notified by the Government of India, as amended from time to time, with immediate effect.

3. Accordingly, eligible companies resident outside India may issue Indian Depository Receipts (IDRs) through a Domestic Depository. The permission has been granted subject to compliance with the Companies (Issue of Depository Receipts) Rules, 2004 and subsequent amendments made thereto and the SEBI (DIP) Guidelines, 2000, as amended from time to time. In case of raising of funds through issuance of IDRs by financial/banking companies having presence in India, either through a branch or subsidiary, the approval of the sectoral regulator(s) should be obtained before the issuance of IDRs.

RBI/2009-10/102 Ref. No. IDMD.DOD.No. 334/ 11.08.36/ 2009-10 dated July 20, 2009

All RBI Regulated Entities

### **Ready Forward Contracts**

A reference is invited to our circular IDMD/PDRS/4779/10.02.01/2004-05 dated May 11, 2005 setting out the eligible categories of entities permitted to enter into ready forward contracts (repos) in Government securities (Dated securities and treasury bills). On a review, it has now been

decided that in addition to the existing categories of eligible entities, unlisted companies who have been issued special securities by the Government of India and having gilt accounts with scheduled commercial banks may be permitted to enter into ready forward contracts, subject to conditions and restrictions stipulated in our circular dated May 11, 2005.

2. Accordingly, the following categories of entities are eligible to enter into ready forward contracts (market repos and **not** repos with the RBI under the Liquidity Adjustment Facility) in the Government securities:

- (a) persons or entities maintaining a Subsidiary General Ledger (SGL) account with the Reserve Bank of India, Mumbai, and
- (b) the following categories of entities which do not maintain SGL accounts with the Reserve Bank of India but maintain gilt accounts (*i.e.* gilt account holders) with a bank or any other entity (*i.e.* the custodian) permitted by the Reserve Bank of India to maintain Constituent Subsidiary General Ledger Account (CSGL Account) with its Public Debt Office, Mumbai :
  - i. Any scheduled bank;
  - ii. Any Primary Dealer authorised by the Reserve Bank of India;
  - iii. Any non-banking financial company registered with the Reserve Bank of India (other than Government companies as defined in section 617 of the Companies Act, 1956);
  - iv. Any mutual fund registered with the Securities and Exchange Board of India;

- v. Any housing finance company registered with the National Housing Bank; and
- vi. Any insurance company registered with the Insurance Regulatory and Development Authority.
- vii Any non-scheduled Urban Co-operative bank.
- viii. Any listed company, having a gilt account with a scheduled commercial bank; and
- ix. Any unlisted company which has been issued special securities by the Government of India and having gilt account with a scheduled commercial bank.

3. In addition to the conditions and restrictions stipulated in our circular dated May 11, 2005, the following restrictions will also be applicable to the eligible unlisted companies for entering into ready forward contracts:

- (a) The eligible unlisted companies can enter into ready forward transactions as the borrower of funds in the first leg of the repo contract only against the collateral of the special securities issued to them by the Government of India; and
- (b) The counterparty to the eligible unlisted companies for repo transactions should be either a bank or a Primary Dealer maintaining SGL account with the Reserve Bank.

4. All other conditions specified in our circular IDMD/PDRS/4779/10.02.01/2004-05 dated May 11, 2005 will continue to apply.