

## *Regulatory and Other Measures*

December 2009

RBI/2009-10/245 UBD.No.BPD.PCB.26/  
09.11.200/2009-10 dated December 3, 2009

Chief Executive Officer  
All Primary (Urban) Cooperative Banks

### **UCBs - Marketing/Distribution of Mutual Fund/Insurance Products**

#### *Marketing/Distribution of Mutual Fund/Insurance Products by Urban Cooperative Banks*

Please refer to our circulars UBD.No.BPD.PCB.Cir9/09.11.200/2003-04 dated August 18, 2003 and UBD.PCB.Cir.No.42/09.11.200/2006-07 dated May 7, 2007 permitting Urban Cooperative Banks (UCBs) to undertake insurance business as corporate agent and/or on referral basis without risk participation subject to fulfilment of certain conditions. UCBs have been advised to sell insurance products to the bank's customers with adequate disclosure and transparency and they should not adopt any restrictive practice of forcing its customers to go in only for a particular insurance company in respect of products marketed by the bank. The customers should be allowed to exercise their own choice.

2. UCBs have also been allowed vide circular UBD.BPD(PCB)Cir No.44/09.18.100/2005-06 dated April 13, 2006 to market units of Mutual Funds as agents.

3. In conducting the activities referred to above, it is likely that banks may be marketing / referring, several competing products of various mutual fund / insurance companies to their customers. Keeping in view the need for transparency in the interest of the customers to whom the

products are being marketed / referred, it has since been decided that banks should disclose to the customers, details of all the commissions / other fees (in any form) received, if any, from the various mutual fund / insurance companies for marketing / referring their products.

4. The above instructions will come into force with immediate effect.

RBI/2009-10/246 UBD.BPD (PCB).Cir No.25/09.11.200/2009-10 dated December 3, 2009

Chief Executive Officer All Primary (Urban) Cooperative Banks

### **UCBs - Credit Information Companies (Regulation) Act, 2005**

#### *Credit Information Companies (Regulation) Act, 2005*

As you are aware, the Credit Information Companies (Regulation) Act, 2005 (the Act) has been operationalised with effect from December 14, 2006. In terms of Section 15(1) of the Act, every credit institution has to become member of at least one credit information company within a period of three months from commencement of the Act or any extended time allowed by the Reserve Bank on application.

2. The Government had in exercise of powers conferred by Section 35 of the Act issued (Removal of Difficulties) Order, 2008 dated January 24, 2008 extending the last date for taking membership of at least one credit information company by credit institutions to December 31, 2008. Further extension of time is under consideration.

3. In this connection it is advised that as per the provisions of sub section (1) of Section 21 of the Credit Information Companies (Regulation) Act, 2005, "any person, who applies for grant or sanction of credit facility, from any credit institution, may request such institution to furnish him a copy of the credit information obtained by such institution from the credit information company". Further, sub-section (2) of the said Section also specifies that every credit institution shall on receipt of request, as indicated in sub-section (1), furnish to such person a copy of the credit information subject to payment of charges specified by the bank under the Regulations. You might be aware that Reserve Bank, in Credit Information Companies Regulations, 2006, framed under the Act, has already prescribed in Regulation 12(3) a maximum fees of Rs. 50/- (Rupees fifty only) for the purpose.

4. As the Urban Cooperative Banks fall under the category of credit institutions as defined in sub-section (f) of Section 2 of the Act, they would be required to take membership of at least one credit information company and provide credit data (positive as well as negative) to the credit information company in the format prescribed by the credit information company. The success of credit information collection and dissemination system depends on the data supplied by banks to the credit information companies. Therefore it is desirable that the Urban Cooperative Banks should be in readiness to supply data to credit information companies as and when they become operational. In view of this, Urban Cooperative Banks are advised to initiate steps to build up database

and be in readiness for effective exchange of credit information.

RBI/2009-10/249 UBD.BPD(PCB).Cir No. 29 / 09.11.600/2009-10 dated December 8 , 2009

Chief Executive Officer  
All Primary (Urban) Cooperative Banks

### **UCBs - Provisioning Requirement for Standard Assets**

*Second Quarter Review of Monetary Policy for the Year 2009-10 - Provisioning Requirement for Standard Assets*

Please refer to paragraph 158 of the Second Quarter Review of Monetary Policy for the year 2009-10 announced on October 27, 2009.

2. In terms of paragraph 2(a) of our circular UBD.PCB.Cir.No 29 / 09.11.600/2008-09 dated December 1, 2008, the provisioning requirements for all types of standard assets in case of Tier II UCBs had been reduced to a uniform level of 0.40 per cent except in the case of direct advances to Agriculture and SME sectors which continued to attract a provisioning of 0.25 per cent. Tier I UCBs were also advised to make a general provision of 0.25 per cent on all their standard assets.

3. In view of large increase in credit to the Commercial Real Estate (CRE) sector over the last one year and the extent of restructured advances in this sector, it would be prudent to build cushion against likely non-performing assets (NPAs). Accordingly, it has now been decided to increase the provisioning requirement for advances to the CRE sector classified as 'standard assets' to 1.00 per cent.

4. The standard asset provisioning requirements for all categories, after the above change, are summarised below

Sr. No	Category of Standard Asset	Rate of Provisioning	
		Tier II	Tier I
(a)	Direct advances to Agriculture and SME sectors	0.25 %	0.25%
(b)	Commercial Real Estate (CRE) sector	1.00 %	1.00%
(c)	All other loans and advances not included in (a) and (b) above	0.40%	0.25%

*Paragraph 158 of the Second Quarter Review of Monetary Policy for the year 2009-10*

In view of large increase in credit to the commercial real estate sector over the last one year and the extent of restructured advances in this sector, it would be prudent to build cushion against likely non-performing assets (NPAs). Accordingly, it is proposed to increase the provisioning requirement for advances to the commercial real estate sector classified as 'standard assets' from the present level of 0.40 per cent to 1 per cent.

RBI/2009-10/250 RPCD.CORRB.No.45/ 03.05.33/2009-10 dated December 09, 2009

The Chairman  
All Regional Rural Banks (RRBs)

### **Marketing/Distribution of Mutual Fund Units/Insurance etc., products by RRBs**

Please refer to our circular RPCD.No.RRB.BC.82/03.05.33/2005-06 dated May 17, 2006 allowing RRBs to undertake marketing of units of mutual funds as agents subject to certain terms and conditions.

2. Similarly, in terms of paragraph 2 of our Circular RPCD. CO. RRB.BC.No.99/03.05.33(G)/2004-05 dated May 12, 2005, RRBs were allowed to undertake insurance business on a referral basis without any risk participation through their network of branches subject to certain conditions. Further, in terms of our circular RPCD.CO.RRB.BC.No.86/03.05.33(G)/2006-07 dated May 03,2007, RRBs have been permitted for taking up corporate agency business for distribution of insurance products without risk participation subject to conditions mentioned in para 2 of the said circular.

3. In all the activities referred to above, it is likely that RRBs may be marketing / referring, several competing products of various mutual fund / insurance companies to their customers. Keeping in view the need for transparency in the interest of the customers to whom the products are being marketed / referred, it has since been decided that RRBs should disclose to the customers, details of all the commissions / other fees (in any form) received, if any, from the various mutual fund / insurance companies for marketing/ referring their products.

4. The above instructions will come into force with immediate effect.

RBI/2009-10/272 DPSS.CO.No.1357/02.23.02/2009-10 dated December 24, 2009

The Chairman and Managing Director / Chief Executive Officers All Scheduled Commercial Banks including RRBs /Urban Co-operative Banks / State Co-operative Banks / District Central Co-operative Banks

## Mobile Banking Transactions in India - Operative Guidelines for Banks

A reference is invited to the guidelines appended to our circular no. RBI/2008-09/208, DPSS.CO.No.619 /02.23.02/ 2008-09 dated October 08, 2008, on the captioned subject.

2. Based on the requests received from the banks facilitating mobile banking transactions, the guidelines are modified as under:

I. *Transaction limit* : In amendment of provisions of paragraph 8.1 of the above guidelines, banks are now permitted to offer this service to their customers subject to a daily cap of Rs.50,000/- per customer for both funds transfer and transactions involving purchase of goods/ services. Presently, such transactions are subject to separate caps of Rs.5000/- and Rs.10000/- respectively.

II. *Technology and Security Standard* : Transactions up to Rs.1000/- can be facilitated by banks without end-to-end encryption. The risk aspects involved in such transactions may be addressed by the banks through adequate security measures.

3. **Remittance of funds for disbursement in cash:** In order to facilitate the use of mobile phones for remittance of cash, banks are permitted to provide fund transfer services which facilitate transfer of funds from the accounts of their customers for delivery in cash to the recipients. The disbursal of funds to recipients of such services can be facilitated at ATMs or through any agent(s) appointed by the bank

as business correspondents. Such fund transfer service shall be provided by banks subject to the following conditions:-

- i. The maximum value of such transfers shall be Rs.5000/- per transaction.
- ii. Banks may place suitable cap on the velocity of such transactions, subject to a maximum value of Rs.25,000/- per month, per customer.
- iii. The disbursal of funds at the agent/ATM shall be permitted only after identification of the recipient. In this connection, attention of banks is drawn to the provisions of the Notification

dated November 12, 2009, issued by Government of India, under Prevention of Money Laundering Act, 2002, as amended from time to time.

- iv. Banks may carry out proper due diligence of the persons before appointing them as authorized agents for such services.
  - v. Banks shall be responsible as principals for all the acts of omission or commission of their agents.
4. The directive is issued under Section 18 of Payment and Settlement Systems Act, 2007, (Act 51 of 2007).