

## RBI Press Releases

### *RBI RELEASES COMPREHENSIVE POLICY FRAMEWORK FOR OWNERSHIP AND GOVERNANCE OF PRIVATE BANKS FOR FEEDBACK*

**July 2, 2004**

The Reserve Bank of India (RBI) has formulated a draft comprehensive policy framework in regard to the ownership and governance of private sector banks. This is placed in public domain for discussion and feedback before finalising.

It may be recalled that in paragraph 68 of the Annual Policy Statement for 2004-05 announced on May 18, 2004, the Governor had indicated that keeping in view the special nature of banks, it is necessary to articulate in a comprehensive and transparent manner the policy in regard to ownership and governance of both public and private sector banks.

It may be noted that the Reserve Bank had, on June 25, 2004, advised private sector banks that they should undertake a process of due diligence to determine the “fit and proper” status of persons for appointment as director on the Board and ensure that in public interest the Directors execute the deed of covenant as recommended by the Ganguly Group. The circular is available on the RBI website ([www.rbi.org.in](http://www.rbi.org.in))

### *RBI RELEASES STATUS PAPER ON COMMERCIAL PAPER MARKET IN INDIA FOR COMMENTS*

**July 7, 2004**

The Reserve Bank of India today placed the status paper on Commercial Paper (CP) Market in India on its website. Inviting comments on the Report by August 14, 2004, it has stated that they may be forwarded to Principal Monetary Policy Adviser, Monetary Policy Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Mumbai 400 001 [Fax: (91-22) 2265 1685/2269 3204; email: [helpmpd@rbi.org.in](mailto:helpmpd@rbi.org.in)].

CPs are negotiable short-term unsecured promissory notes with fixed maturities, issued by well rated companies generally sold on discount basis and mature at par. For many large, creditworthy issuers, CP is a low-cost alternative to bank loans from a large pool of

institutional buyers. Investors in CP earn competitive, market-determined yields whose maturity and amounts can be tailored to their specific needs.

The guidelines of CP had been reviewed from time to time but major changes were effected last in October 2000. Since then, the market participants have been suggesting various modifications in the guidelines for further deepening of the CP market. In this context, an attempt has been made here to review the status of development of CP market in a cross-country perspective and suggest measures for further developing this market.

The status paper on CP Market in India was placed in the nineteenth meeting of the Technical Advisory Committee (TAC) on Money, Foreign Exchange and Government Securities Markets on May 31, 2004 with Dr. Rakesh Mohan, Deputy Governor in the Chair. In the meeting, various issues affecting the further development of the CP market and suggestions given by Monetary Policy Department were discussed.

### *DRAFT SCHEME OF GTB - OBC AMALGAMATION*

**July 26, 2004**

Global Trust Bank Ltd., (GTB) has been placed under an Order of Moratorium on July 24, 2004 which is effective upto October 23, 2004 or an earlier date if alternate arrangements are in place. During the period of moratorium, the Reserve Bank of India has to decide the future set up of GTB.

GTB had been given time to arrange for infusion of capital as also to explore the options of raising required capital or voluntary merger with any domestic bank. GTB's proposal for infusion of capital by a consortium of investors was not found acceptable. The bank also indicated its inability to raise required capital from domestic investors as also voluntary merger with any domestic bank. The option of voluntary merger is not available now.

The other option available with the Reserve Bank is compulsory merger under section 45 of the Banking Regulation Act, 1949. Interest has been expressed on the issue by Oriental Bank of Commerce (OBC). The

Reserve Bank has also received informal enquiries from other public sector banks expressing interest in the matter. OBC's perception on the issue has been examined by the Reserve Bank of India keeping in view its financial parameters, its retail network and its synergies as well as strategic advantages. Taking into account the interests of the millions of depositors of GTB, as well as the bank's strengths and weaknesses, the Reserve Bank has prepared a draft scheme of

amalgamation of GTB with OBC. It has been forwarded to both banks today. The banks have been given two weeks time up to August 7, 2004, to consider the draft scheme.

The draft scheme has been put in public domain and will be notified in the newspapers for suggestions and comments which have to be received by the banks and the Reserve Bank by Saturday, August 7, 2004. The Reserve Bank will take a view soon thereafter.