

CREDIT CONTROL AND OTHER MEASURES DECEMBER 1998
Selected circulars issued by the Reserve Bank of India during December 1998 are reproduced below.

Ref. DBOD Dir. BC.115/13.07.05/98-99 dated December 9, 1998

All Commercial Banks

Dematerialisation of Securities Held as Collaterals

Please refer to our circular DBOD. Dir. BC.153/13.07.05/97 dated December 9, 1997 wherein it was advised that banks may settle transactions in the eight securities as notified by Securities Exchange Board of India (SEBI) only through depository. SEBI has now announced, commencing from January 4, 1999 mandatory trading by all of 12 securities in only demat form on major stock exchanges as per list enclosed (Annexure I). Further, commencing from February 15, 1999, another 19 securities will be included in the compulsory demat list (Annexure II). After the commencement of mandatory trading in demat form, the banks will not be able to sell the shares of the companies listed in Annexure I and II if held in physical form.

It is possible that some banks would have given advances to their clients against physical shares of companies listed in the Annexures. In the event of such borrowers defaulting on the repayment, the banks will not be able to sell them and the collaterals may turn to be of nil value. Banks are therefore, advised to take immediate steps to get them dematerialised well before the dates announced by SEBI regarding compulsory trading in demat form.

2. Banks are also advised to watch for any SEBI announcements mandating trade in demat form in other scrips also, so that necessary actions are taken for safeguarding the security well in advance.

Annexure I

SEBI Mandated List of Securities for Compulsory Trading by All from January 4, 1999

1. Bank of India (BOI)
2. Bharat Petroleum Corporation Ltd. (BPCL)
3. BSES Ltd.
4. Housing Development Finance Corporation Ltd. (HDFC)
5. ICICI Ltd.
6. IndusInd Bank Ltd.
7. Industrial Development Bank of India (IDBI)

8. Infosys Technologies Ltd.
9. Larsen and Toubro (L & T)
10. State Bank of India (SBI)
11. Videsh Sanchar Nigam Ltd. (VSNL)
12. Wipro Ltd.

Annexure II

SEBI Mandated List of Securities for Compulsory Trading by All from February 15, 1999

1. Asea Brown Boveri Ltd. (ABB)
2. Asian Paints Ltd.
3. Associated Cement Company Ltd. (ACC)
4. Bajaj Auto Ltd.
5. Birla Global Finance Ltd. (BGFL)
6. Castrol India Ltd.
7. Cochin Refineries Ltd.
8. Dr. Reddy's Laboratories Ltd.
9. Gas Authority of India Ltd. (GAIL)
10. Gujarat Ambuja Cements Ltd.
11. Hero Honda Motors Ltd.
12. Hindustan Petroleum Corporation Ltd. (HPCL)
13. Madras Refineries Ltd. (MRL)
14. Mahindra and Mahindra Ltd. (M & M)
15. NIIT Ltd.
16. Ranbaxy Laboratories Ltd.

17. Tata Tea Ltd.

18. Thermax Ltd.

19. TVS Suzuki Ltd.

Ref. UBD DS.PCB.Cir.12/13.01.00/98-99 dated December 21, 1998

All Primary Co-operative Banks

Operation of Bank Accounts by Old/Sick/Incapacitated Customers

The question of extending a suitable facility to old/sick/incapacitated bank customers for operation of their bank accounts etc. has been engaging our attention for some time. It has been decided to extend certain facilities to account holders who are sick/old/incapacitated and who are not willing to open and operate joint accounts (by which the problem could be solved).

2. The cases of sick/old/incapacitated account holders fall into the following categories:
 - a) An account holder who is too ill to sign a cheque/cannot be physically present in the bank to withdraw money from his bank account but can put his/her thumb impression on the cheque/withdrawal form and
 - b) An account holder who is not only unable to be physically present in the bank but is also not even able to put his/her thumb impression on the cheque/withdrawal form due to certain physical defect/incapacity.
3. With a view to enabling the old/sick/incapacitated account holders to operate their bank accounts, banks may follow the procedure as under:
 - a) Wherever thumb or toe impression of the sick/old/incapacitated account holder is obtained, it should be identified by two independent witnesses known to the bank, one of whom should be a responsible bank official.
 - b) Where the customer cannot even put his/her thumb impression and also would not be able to be physically present in the bank, a mark can be obtained on the cheque/withdrawal form which should be identified by two independent witnesses, one of whom should be a responsible bank official.
4. The customer may be asked to indicate to the bank as to who would withdraw the amount from the bank on the basis of cheque/withdrawal form as obtained above and that person should be identified by two independent witnesses. The person who would be actually drawing the money from the bank should be asked to furnish his signature to the bank.
5. In this context, the opinion obtained by the Indian Banks' Association from their consultant

on the question of opening of a bank account of a person who had lost both his hands and could not sign the cheque/ withdrawal form is given in the Annexure.

Annexure

Opinion of Consultant of Indian Banks' Association on the Question of Opening of Bank Account by a Person Who has Lost Both His Hands and Cannot Sign

"In terms of the General Clauses Act, the term "Sign" with its grammatical variations and cognate expressions, shall, with reference to a person who is unable to write his name, include "mark" with its grammatical variations and cognate expressions. The Supreme Court has held in AIR 1950 - Supreme Court, 265 that there must be physical contact between the person who is to sign and the signature or the mark put on the document. Therefore, in the case of the person who has lost both his hands, the signature can be by means of a mark. This mark can be placed by the person in any manner. It could be the toe impression, as suggested. It can be by means of mark which anybody can put on behalf of the person who has to sign, the mark being put by an instrument which has had a physical contact with the person who has to sign."