

## RBI Press Releases

### June 7, 2005

The Reserve Bank of India (RBI) hosted the eighth meeting of the Bank for International Settlements (BIS) Working Party on Monetary Policy in Asia. The meeting was held in Mumbai on June 6 and 7, 2005. The meeting of the BIS Working Party on Monetary Policy in Asia was held for the first time in India. Dr. Y.V. Reddy, Governor, Reserve Bank inaugurated the meeting and Mr. William R. White, Economic Adviser and Head of Monetary and Economic Department, BIS chaired it. Senior executives from central banks of Australia, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Saudi Arabia, Singapore and Thailand attended the meeting. In addition, representatives of the Bank of Canada, the European Central Bank, the Banque de France, De Nederlandsche Bank, the US Federal Reserve Board and other delegates from BIS participated in the meeting.

Welcoming the delegates, the Governor mentioned that countries benefit from each other's experience and perceptions despite their own unique characteristics. Over the period, policy making is becoming more globalised as cyclical changes are becoming more synchronised especially since the 1990s. There is increasing convergence in perception, institutional structure, choice of instruments and communication strategy in monetary policy making. He added that the central banks over time have to rely on the confidence channel and often judgements are involved in managing perceptions. Focussing on the country specific features of India, he said that the multiple indicator approach followed by the Reserve Bank is a logical outcome of the multiple objectives that characterise the monetary policy framework. The enactment of Fiscal Responsibility and Budget Management Act by the Parliament provides further flexibility in the conduct of monetary policy. He also drew attention to the data gaps in the conduct of monetary policy in India especially that on employment. However, over the years, India has built resilience to shocks and is less vulnerable to output volatility, he said and added that the economy has largely been insulated from episodes of global financial instability. Barring

supply shocks, in particular those due to the international oil prices, inflation, especially the core inflation has been fairly low.

The meeting focussed on current issues in monetary policy. These included growth prospects for Asia, the role of the current IT cycle and its relevance to the Asian outlook, possible indicators of overheating and the consequences of higher oil and non-oil commodity prices. The discussions on foreign exchange reserves and exchange rate developments included issues pertaining to monetary and exchange rate policies. The discussions on inflation targeting centred on reasons for its limited adoption in Asia and whether the central bank commitment to quantitative targets helps or hinders effective communication of monetary policy intent.

The discussions were informal and facilitated exchange of views on key policy issues at a senior level within a small group.

### June 9, 2005

In order to facilitate expeditious and hassle-free settlement of claims on the death of a depositor the Reserve Bank of India has asked the banks to follow a simple procedure with minimum documentation for release of the balance in deceased account holders' accounts which operate under 'Either or Survivor' clause or in accounts which have a nomination. The Reserve Bank has advised banks to release the balance amounts in the deceased depositors' accounts to the "Survivor(s)" named in the Either or Survivor clause or Nominee without insisting on production of succession certificate, letter of administration, probate or obtaining any bond of indemnity or surety from the "Survivor(s)" or nominee irrespective of the amount standing to the credit of the deceased account holder. Since this will alleviate hardships faced by people, banks have been advised to give wide publicity and guidance to account holders about the benefit of operating the account under an "Either or Survivor" clause or appointing a nominee.

For accounts which do not have 'Either or Survivor' clause nor have a nomination, the Reserve Bank has asked banks to fix a minimum threshold limit upto which they could release the balance amount lying in the deceased account holders' account after obtaining a letter of indemnity and without insisting upon production of any other documents.

The Reserve Bank of India's instructions also cover term deposit accounts, treatment of flows and access to safe deposit lockers.

*For Term Deposit Accounts:*

In the case of term deposits of the deceased depositors, the Reserve Bank of India has asked banks to allow premature termination without any penal charge in the event of the death of the term deposit holder. The Reserve Bank has asked banks to incorporate such a clause in the term deposit account opening form itself.

*For Income flows received after the death of a depositor:*

For pipeline flows, i.e., any income, such as, interest or dividend warrants, that may continue to be received for credit to the deceased depositors' accounts, the Reserve Bank has suggested some courses of action which banks may consider taking only after being authorized to do so by the legal heirs. The banks may open an account styled as "Estate of Shri \_\_\_\_\_, the Deceased" in which all such payments could be credited provided no withdrawals are made from such accounts. Alternatively, the banks could return such payment advices to the remitter with the remark "account holder deceased" and intimate the survivor/nominee/legal heir of such return so that the survivor/nominee/legal heir could take the necessary action to get the payment made to the appropriate beneficiary.

*For allowing Access to Locker:*

The Reserve Bank has asked banks to generally follow the same procedure while allowing access to safe deposit lockers or safe custody articles to the 'survivor' or nominee of the deceased depositor.

*Time limit for Settlement of Claims:*

The Reserve Bank has further asked banks to settle the claims and release the payments to the "Survivor" under the Either or Survivor clause or nominee in respect of the deceased depositors accounts within 15 days from the date of receipt of the claim on production of proof of death of the depositor and suitable and satisfactory

identification of the claimant. Banks have been advised that any unwarranted inconvenience or hardships to such claimants would invite serious supervisory disapproval.

*What more do the banks need to do?*

The banks are required to report, at regular intervals, the number of claims received pertaining to the deceased depositors and locker-hirer accounts and pending beyond 15 days to their Customer Service Committee of their Boards along with the reasons for which they are pending. The Reserve Bank has further asked the Indian Banks' Association to formulate, on the basis of RBI instructions, a model operational procedure for settlement of claims of the deceased constituents under various instances for adoption by banks. The banks have also been asked to publicise and guide the deposit account holders about the benefits of nomination facility and survivorship clause.

**June 27, 2005**

The Government of Andhra Pradesh and the Reserve Bank of India have today signed a Memorandum of Understanding with regard to urban cooperative banks in the state of Andhra Pradesh. Consequent upon this, a state level Task Force on Urban Cooperative Banks (TAFUCB) has been constituted for Andhra Pradesh. Shri R. Gandhi, Regional Director of the Reserve Bank for the state of Andhra Pradesh is the Chairman of the TAFUCB and Dr. C. Uma Malleswara Rao, Registrar of Cooperative Societies, Andhra Pradesh its co-chairman. The other members of the TAFUCB are: a nominee of the State Government of Andhra Pradesh, Shri K.P.V. Karunakaran, General Manager, Urban Banks Department, Reserve Bank of India, Central Office, Mumbai, Shri D. Krishna, Chief Executive Officer, National Federation of Urban Banks (NAFCUB), New Delhi, and Shri G. Ramamurthy, Chairman, AP State Urban Banks Federation, Hyderabad. The first meeting of the TAFUCB will be held soon.

As part of its developmental role, the Reserve Bank would also be assessing the training, computerisation needs of the urban cooperative banks in the state of Andhra Pradesh with the objective of upgrading their human resources skills and technological infrastructure so that they improve their operational efficiency and quality of management information systems.

It may be recalled that in the Mid-term Review of Annual Policy announced in October 2004, the Reserve Bank had announced that a vision document for urban cooperative banks would be prepared. Accordingly, the Reserve Bank placed in public domain a draft vision document in March 2005. Based on the responses received, the vision document is being finalised.

As the urban cooperative banks are subject to dual control by the Reserve Bank and state governments, the vision document envisaged the signing of Memorandum of Understanding between State Governments and the Reserve Bank of India to put in place an arrangement through which there is a convergence on the approach and remedial actions required to be taken for facilitating the development of the sector. The vision document also proposed the constitution of a State Level Task Force of Urban Cooperative Banks, under the chairmanship of Regional Director of the Reserve Bank for the concerned state with Registrar of Cooperative Societies as the co-chairman and representatives from the State and the National Federation for Urban Cooperative Banks (NAFCUB) among others, as its members, for the purpose of identifying the potentially viable urban cooperative banks and drawing up a time bound action plan for their revival by setting specific monitorable milestones.

#### June 28, 2005

The Government of Gujarat and the Reserve Bank of India have today signed a Memorandum of Understanding with regard to urban cooperative banks in the state of Gujarat. Consequent upon this, a state level Task Force on Urban Cooperative Banks (T AFCUB) has been constituted for Gujarat. Smt. Vani J. Sharma, Regional Director of the Reserve Bank for the state of Gujarat is the Chairman of the T AFCUB and Shri J. P. Gupta, Registrar of Co-operative Societies, Gujarat its co-chairman. The other members of the T AFCUB are: a

nominee of the State Government of Gujarat, Shri N. S. Vishwanathan, Chief General Manager, Urban Banks Department, Reserve Bank of India, Central Office, Mumbai, Shri D. Krishna, Chief Executive Officer, National Federation of Urban Banks (NAFCUB), New Delhi, and Shri Dollarrai V. Kotecha, Chairman, Gujarat State Urban Banks Federation. The first meeting of the T AFCUB will be held soon.

As part of its developmental role, the Reserve Bank would also be assessing the training, computerisation needs of the urban cooperative banks in the state of Gujarat with the objective of upgrading their human resources skills and technological infrastructure so that they improve their operational efficiency and quality of management information systems.

It may be recalled that in the Mid-term Review of Annual Policy announced in October 2004, the Reserve Bank had announced that a vision document for urban cooperative banks would be prepared. Accordingly, the Reserve Bank placed in public domain a draft vision document in March 2005. Based on the responses received, the vision document is being finalised.

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