

## **RBI Press Release**

### **Work Relating to Urban Banks in Marathwada, Region Transferred from Mumbai to Nagpur (March 12, 1999)**

The Reserve Bank of India has decided as part of its decentralisation programme, and also with a view to improving its customer service, to transfer, with effect from March 12, 1999, the work relating to primary co-operative banks located in 7 districts of the Marathwada Region viz., Aurangabad, Beed, Jalna, Latur, Nanded, Parbhani and Osmanabad, from its Mumbai Office, to its Nagpur Office. Accordingly all matters relating to urban co-operative banks, both existing as well as proposed, situated in the Marathwada Region, will henceforth be handled by the Nagpur Regional Office of the Urban banks Department, Reserve bank of India, Raghvendra Rao Road, Post Box No.15, Nagpur 440 001. Existing primary co-operative banks situated in the Marathwada region will also have to submit their returns as on March 31, 1999, to the Officer-in-Charge, Urban Banks Department, Nagpur, at the above address.

### **RBI Asks Banks/FIs for Information on Wilful Defaulters (March 13, 1999)**

The Reserve Bank of India has asked banks and financial institutions (FIs) to submit to it details of wilful defaulters. Banks and FIs have been asked to report all cases of wilful default, which occurred, or are detected after March 31, 1999, on a quarterly basis. The information on wilful default should cover all non-performing borrowal accounts with outstandings (funded facilities and such non-funded facilities which are converted into funded facilities) aggregating Rs.25 lakh and above.

Bank have also been asked to ensure that only the Boards of Directors are empowered to consider fresh limits/ renewal/enhancement of limits in the case of wilful defaulters, on the merits of individual cases.

The Reserve bank, for this purpose, has defined wilful default as :

- (a) deliberate non-payment of dues despite adequate cashflow and good network,
- (b) siphoning off of funds to the detriment of the defaulting unit,
- (c) assets financed have either not been purchased or have been sold and proceeds have been misutilised,
- (d) misrepresentation/falsification of records,
- (e) disposal/removal of securities without the knowledge of the bank,
- (f) fraudulent transactions by the borrower.

It may be recalled that the Central Vigilance Commission (CVC) had asked the Reserve Bank to collect and disseminate among reporting banks and FIs, information on wilful defaults of

Rs.25 lakh and above. Pursuant to this, the Reserve Bank, has formulated a scheme under which banks and FIs, viz., IDBI, IFCI and ICICI will be required to submit to the Reserve Bank details of wilful defaults. The scheme will come into effect from April 1, 1999. Banks and FIs will accordingly have to file the first return on wilful defaults containing cases for the quarter April-June 30, 1999. The return is required to be submitted within one month from the quarter to which it relates. The return should contain *inter-alia*, the names of directors who are stakeholders only, and not the names of professional/nominee directors of FIs, Central/State Governments. Further, in case of consortium/multiple lending, the information on wilful defaulters should also be shared by bank and FIs with the other participating/financing entities. Cases of wilful defaults at overseas branches should also be reported if such disclosure is permitted under the laws of the host country.

Returns for the subsequent quarter should contain fresh cases as well as those reported in the earlier return but should exclude cases which have been subsequently regularised.

The scheme requires that the identification of the default be made keeping in view the track record of the borrower and not be decided on the basis of isolated transactions/incidents. The default to be categorised as wilful must be intentional, deliberate and calculated.

The Reserve Bank has asked banks/FIs to form a committee consisting of three general managers/ deputy general managers or equivalent to general manger/deputy general manager for identifying cases of wilful default.

The scheme is in addition to the Scheme of Disclosure of Information on Defaulting Borrowers of Banks and FIs, introduced by the Reserve Bank in April 1994, under which banks and notified FIs are required to furnish to the Reserve Bank, details of defaulters of Rs. one crore and above, classified as doubtful or loss, and suit filed accounts, as on March 31, and September 30, and in addition to the publication of the list of borrowal accounts, against which banks and FIs have filed suits for recovery of dues as on March 31 every year.