

Credit Control and other Measures March 1999

Selected circulars issued by the Reserve Bank of India during March 1999 are reproduced below.

Ref.UBD.No.BR.PCB.CIR.21/16.26.00/98-99 dated March 1, 1999

All Primary (Urban) Co-operative Banks

Penal Rate of Interest on the Shortfall in the Maintenance of CRR/SLR

With effect from the close of business on March 1, 1999 the Bank Rate has been reduced by one percentage point from 9.00 per cent per annum to 8.00 per cent per annum. Accordingly, the penal rate of interest applicable on the amounts of shortfall in the maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) which is linked to Bank Rate stands revised as shown in the Annexure.

Annexure		
	Existing Rates	New Rates (Effective close of business on March 1, 1999)
Penal Interest Rates on shortfall in reserve requirements depending on duration of shortfall	Bank Rate plus 3 percentage points (12.0) for the first day of default and Bank Rate plus 5 percentage points (14.0) for the defaults from the second day onwards	Bank Rate plus 3 percentage points (11.0) for the first day of default and Bank Rate plus 5 percentage points (13.0) for the defaults from the second day onwards

Ref. Admn. 24/17.36.01/98-99 dated March 31, 1999

All Primary (Urban) Co-operative Banks Year 2000 (Y2K) Issues - Supervisory Enforcement

As you are aware, in terms of the broad remediation framework communicated by us, banks were expected to put in place appropriate time bound strategies to assess, convert, validate and implement fully Y2K compliant systems by December 31, 1998. Banks were also advised to work on a contingency plan to assure business continuity in the event of vendor default or unforeseen Year 2000 induced breakdown and complete this exercise by March 31, 1999 and forward to us a copy of their Contingency Plans duly approved by their Board of Directors.

2. In order to ensure that Y2K issues are adequately addressed by each bank and keeping in view international supervisory practices in this regard, the Reserve Bank of India has decided on a set of enforcement measures in the event of compliance efforts of individual banks being assessed by us as being less than satisfactory. While specific course of action will be decided by the Reserve Bank taking into account the findings of the on-site inspections and information contained in the monthly reports submitted by banks, the enforcement measures may include one or combinations of the following:

- Issue Supervisory Letter of Caution.
- Impose monetary penalties on a graduated scale as may be decided on a case by case basis.
- Restricting expansionary strategies of banks like opening branches, areas of operation, etc.
- Suspension from participation from Call Money Markets, Clearing, Security Trading.
- It is needless to emphasise that the responsibility to appropriately address the Y2K problem within each institution, would solely rest with the Top Management and Board of Directors.