

Credit Control and Other Measures July 1999

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

Ref. UBD No.BSD I/2/12.05.05/ 1999-2000
dated July 28, 1999

All Primary Co-operative Banks

Income Recognition, Asset Classification and Provisioning -Concept of Commencement of Commercial Production

Please refer to Annexure II of our circular UBD.No.I&L38/J.1-92/93 dated February 9, 1993 on the above subject.

2. As per current instructions an advance is treated as NPA if the repayment schedule is re-fixed after commencement of production. Banks, Financial Institutions and borrowers have represented that though the unit may have commenced production, the level and volume of production reached immediately after the date of completion of the project is often not adequate to generate the required cash flow to service the loan. It has been represented that some lead time is needed to stabilize production as very often certain constraints arise during the initial phase of production. As the financing bank is monitoring the implementation of the project and is in a better position to judge whether the unit has stabilized commercial production and there is a need for rescheduling of the loan, it has been decided to leave the matter to the Board of Directors of the concerned banks. The Board may lay down broad parameters for guidance of the staff for taking a view while putting up individual cases to the Board. In framing these guidelines, the following will be kept in view:

In order to arrive at a decision as to whether the unit/project has achieved regular commercial production, the main guiding factor would be whether the unit has achieved cash break-even in order to service the loan. If in the opinion of the bank, the bottleneck in achieving regular commercial production is of a temporary nature not indicative of any long-term impairment of the unit's economic viability and it is likely to achieve cash break-even if some time is allowed, the bank may reschedule the loan and treat the asset as standard. However, the lead time would normally not exceed one year from the schedule of commencement of commercial production as indicated in terms of sanction. In respect of credit facilities sanctioned under consortium arrangements, the decision as to whether the borrowing unit has achieved regular commercial production and there is a need for rescheduling may be taken by the lead institution or lead bank and other participating institutions/ banks may follow the same.

Ref: No. MPD.BC. 188/07.01.279/ 1999-2000 July 29, 1999

Select Mutual Funds and Institutions

Ready Forward Transactions

It may be recalled that as a part of the "Monetary and credit policy for the year 1999-2000" announced on April 20, 1999, it was indicated that the Ready - Forward (Repo) market would be developed, with appropriate regulatory safeguards, to improve the transmission mechanism of Monetary Policy and further develop the money and debt markets in accordance with the recommendations made by the Narasimham Committee.

2. Accordingly, the Government of India has notified 35 non-bank entities, Primary Dealers, etc., in addition to the institutions indicated under the earlier Notifications, for undertaking Ready Forward transactions in Treasury Bills of all maturities and in such dated securities of Government of India as are approved by the Reserve Bank of India in consultation with Central Government from time to time. By virtue of omitting the third proviso in the notification dated June 27, 1999, all the entities that were specifically permitted only for reverse Repo transactions earlier, are now permitted to undertake Repo transactions also. A copy of the Notification dated July 14, 1999 issued by Government of India in this regard is enclosed (Annexure -I). For ready reference, the comprehensive lists of entities that are permitted (including under present Notification) to undertake Ready - Forward deals and the securities approved for Ready - Forward deals by the Government, as on date, are enclosed as Annexures II and III, respectively.

3. The entities are hereby permitted to take up the Ready Forward deals (including reverse Ready Forward) with other notified participants, subject to the conditions that :

- (i) ready forward deals are undertaken only in Treasury Bills of all maturities issued by Government of India and in such dated securities of Government of India as are approved by Reserve Bank of India in consultation with the Central Government,
- (ii) such transactions shall be settled through the Subsidiary General Ledger (SGL) Accounts with Reserve Bank of India at Mumbai, and
- (iii) no sale of the securities should be put through without having the securities in the portfolio.

ANNEXURE - I

Ministry of Finance

(Department of Economic Affairs)

(Capital Market and External Commercial borrowing division)

NOTIFICATION

New Delhi, July 14, 1999

S.O.581(E) - In exercise of the powers conferred by sub-section (I) of section 16 of the Securities Contracts

(Regulation) Act 1956 (42 of 1956) the Central Government hereby further amends the notification of the Government of India in the Ministry of Finance (Department of Economic Affairs) number S.O. 2561, dated the June 27, 1969, namely :-

In the said notification, -

(a) in the second proviso, after serial number (xvii), the following serial numbers shall be inserted, namely :-

- "(xviii) Canbank Mutual Fund;
- (xix) Export Credit Guarantee Corporation of India Limited;
- (xx) Export Import Bank of India;
- (xxi) General Insurance Corporation of India;
- (xxii) GIC Mutual Fund;
- (xxiii) Indian Bank Mutual Fund;
- (xxiv) Industrial Credit & Investment Corporation of India Limited;
- (xxv) Industrial Development Bank of India;
- (xxvi) IDBI Mutual Fund;
- (xxvii) ITC Thread Needle Mutual Fund;
- (xxviii) Life Insurance Corporation of India;
- (xxix) National Bank for Agriculture and Rural Development;
- (xxx) National Housing Bank;
- (xxxi) New India Assurance Company Limited;
- (xxxii) Oriental Insurance Company Limited;
- (xxxiii) Reliance Capital Mutual Fund;
- (xxiv) SBI Mutual Fund;
- (xxxv) Small Industries Development Bank of India;
- (xxxvi) Unit Trust of India;
- (xxxvii) LIC Mutual Fund;
- (xxxviii) J.M. Mutual Fund;
- (xxxix) Birla Mutual Fund;
- (xl) Kothari Pioneer Mutual Fund;
- (xli) Jardine Fleming Mutual Fund;
- (xlii) Kotak Mahindra Mutual Fund;
- (xliii) JP Morgan Securities India Private Limited;
- (xliv) ABN AMRO Securities (India) Pvt. Limited;
- (xlv) Deutsche Securities (India) Private Limited;
- (xlvi) Industrial Investment Bank of India Limited;
- (xlvii) Bank of India Mutual Fund;
- (xlviii) Sun F & C Mutual Fund;
- (xlix) Prudential ICICI Mutual Fund;
- (l) Housing Development Finance Corporation Limited;
- (li) Stock Holding Corporation of India Limited;
- (lii) SICOM Limited"

- (b) the third proviso shall be omitted;
- (c) in the fourth proviso, the words "and third proviso" shall be omitted;
- (d) in the Explanation occurring below the fourth proviso, after number (xxvii-n), the following serial numbers shall be inserted, namely :-

(xxvii-o) "Kotak Mahindra Mutual Fund" means a trust sponsored by Kotak Mahindra Finance Limited and managed by Kotak Mahindra Asset Management Company Limited, a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at 229 Bakhtawar, 2nd floor, Nariman Point, Mumbai - 400 021;

(xxvii-p) "J.P. Morgan Securities India Private Limited" means a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at Vakil's House, 1st Floor, 18, Sprott Road, Ballard Estate, Mumbai - 400 001;

(xxvii-q) "ABN AMRO Securities (India) Pvt. Limited" means a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at 102, Dalamal House, Nariman Point, Mumbai - 400 021;

(xxvii-r) "Deutsche Securities (India) Private Limited" means a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at Tolstory House, 13/ 17 Tolstoy Marg, New Delhi - 110 001;

(xxvii-s) "Industries Investment Bank of India Limited" means a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at 19, Netaji Subhas Road, Calcutta - 700 001;

(xxvii-t) "Bank of India Mutual Fund" means a trust sponsored by the Bank of India and managed by the Bank of India Asset Management Company Limited, a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at Stock Exchange Building, 24th floor, Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001;

(xxvii-u) "Sun F & C Mutual Fund" means a trust sponsored by the Foreign & Colonial Emerging Markets Limited, UK and managed by the Sun F & C Asset Management (I) Pvt. Ltd, a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at World Trade Centre, 19th floor, Cuffe Parade, Mumbai - 400 005;

(xxvii-v) "Prudential ICICI Mutual Fund" means a trust sponsored by ICICI Limited and Prudential Corporation Plc. through its subsidiary Prudential Corporation Holdings Limited and Managed by the Prudential ICICI Asset Management Company Limited, a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at 206, Ashoka Estate, 24 Barakhamba Road, New Delhi - 110 001;

(xxvii-w) "Housing Development Finance Corporation Limited" means a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at Ramon House, 169, Backbay Reclamation, Mumbai - 400 020;

(xxvii-x) "Stock Holding Corporation of India Limited" means a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at Mittal Court, 'B' Wing, 2nd floor, 224 Nariman Point, Mumbai - 400 021;

(xxvii-y) "SICOM Limited" means a company registered under the Companies Act, 1956 (1 of 1956) and having its registered office at 1st floor, Nirmal, Nariman Point, Mumbai - 400 021;

(F.No. 1/32/SE/97)
Dr. J. BHAGWATI, Jt. Secy.

Note :- The principal notification was issued under S.O. No. 2561 dated 27.6.1969 published in the Gazette of India Part II, Section 3, page 839 dated 27.6.1969 and subsequent notifications S.O. 425(E), S.O. 750 (E), S.O. 434 (E), S.O. 764 (E), S.O. 225 (E) and S.O. 345 (E) were published in the Gazette of India Part II, Section 3, Subsection (ii) on 1.6.1994, 18.10.1994, 13.6.1996, 6.11.1997, 18.3.1998 and 24.4.1998 respectively.

ANNEXURE - II
List of entities eligible to undertake Ready Forward deals

- i. A Banking Company a "banking company" means a banking company as defined in clause © of Section 5 of the Banking Regulation Act, 1949.
- ii. A Co-operative bank a "co-operative bank" means a bank as defined in clause (cci) of Section 5 read with clause © of Section 56 of the Banking Regulation Act, 1949.
- iii. The Discount and Finance House of India Ltd.
- iv. Securities Trading Corporation of India Ltd.
- v. SBI Gilts Ltd.
- vi. PNB Gilts Ltd.
- vii. Gilt Securities Trading Corporation Ltd.
- viii. ICICI Securities and Finance Co.Ltd.
- ix. DSP Merrill Lynch Ltd.
- x. Ceat Financial Services Ltd.
- xi. Kotak Mahindra Capital Company (unlimited)
- xii. Birla Global Finance Company Ltd.
- xiii. Hoare Govett (India) Securities Ltd.
- xiv. Dil Vikas Finance Ltd.
- xv. SREI International Securities Ltd.
- xvi. Tower Capital and Securities Pvt. Ltd.
- xvii. Tata Finance Securities Ltd.
- xviii. Canbank Mutual Fund
- xix. Export Credit Guarantee Corporation of India Limited
- xx. Export Import Bank of India
- xxi. General Insurance Corporation of India
- xxii. GIC Mutual Fund

- xxiii. Indian Bank Mutual Fund
- xxiv. Industrial Credit & Investment Corporation of India Limited
- xxv. Industrial Development Bank of India
- xxvi. IDBI Mutual Fund
- xxvii. ITC Thread Needle Mutual Fund
- xxviii. Life Insurance Corporation of India
- xxix. National Bank for Agriculture and Rural Development
- xxx. National Housing Bank
- xxxi. New India Assurance Company Limited
- xxxii. Oriental Insurance Company Limited
- xxxiii. Reliance Capital Mutual Fund
- xxxiv. SBI Mutual Fund
- xxxv. Small Industries Development Bank of India
- xxxvi. Unit Trust of India
- xxxvii. LIC Mutual Fund
- xxxviii. J.M. Mutual Fund
- xxxix. Birla Mutual Fund
- xl. Kothari Pioneer Mutual Fund
- xli. Jardine Fleming Mutual Fund
- xlii. Kotak Mahindra Mutual Fund
- xliii. JP Morgan Securities India Private Limited
- xliv. ABN AMRO Securities (India) Pvt. Limited
- xliv. Deutsche Securities (India) Private Limited
- xlvi. Industrial Investment Bank of India Limited
- xlvii. Bank of India Mutual Fund
- xlviii. Sun F & C Mutual Fund
- xliv. Prudential ICICI Mutual Fund
- l. Housing Development Finance Corporation Limited
- li. Stock Holding Corporation Of India Limited
- lii. SICOM Limited

ANNEXURE - III

List of Government of India Securities eligible for ready forward facility

Sr. Nomenclature of Securities

No.

- I. All Treasury Bills
- II. Dated Securities :-
 - 1. GOI Floating Rate Bonds, 1999 (II Issue)
 - 2. 13.40% Govt. Stock, 1999
 - 3. 13.12% Govt. Stock, 1999
 - 4. Govt. of India Zero Coupon Bonds, 2000
 - 5. 12.14% Govt. Stock, 2000
 - 6. GOI Zero Coupon Bonds, 2000 (III Series)

7. GOI Zero Coupon Bonds, 2000 (II Series)
8. 13.85% Govt. Stock, 2000
9. 12.60% Govt. Stock, 2000
10. 5.50% Loan, 2000
11. 13.25% Govt. Stock, 2000 Conv. 364 D-T-bills
12. 10.75% Loan, 2000
13. 6.50% Loan, 2000
14. 11.64% Govt. Stock, 2000
15. 13.25% Govt. Stock, 2000
16. 13.85% Govt. Stock, 2001
17. 13.75% Govt. Stock, 2001
18. 10.85% Govt. Stock, 2001
19. 13.55% Govt. Stock, 2001
20. 12.70% Govt. Stock, 2001
21. 12.08% Govt. Stock, 2001
22. 12.08% GOI Comp. (Project Exp. to Iraq) Bonds 2001
23. 5.75% Loan, 2001
24. 6.50% Loan, 2001
25. 7.50% Loan, 2001
26. 10.75% Loan, 2001
27. 11.75% Govt. Stock, 2001 Conv. 365 D-T-Bills
28. 11% Loan, 2001
29. 13.31% Govt. Stock, 2001
30. 12.69% Govt. Stock, 2002
31. 11.15% Govt. Stock, 2002
32. 13.82% Govt. Stock, 2002
33. 11% Loan, 2002
34. 7.75% Loan, 2002
35. 13.80% Govt. Stock, 2002
36. 13.40% Govt. Stock, 2002
37. 5.75% Loan, 2002
38. 12.75% Govt. Stock, 2002
39. 6.50% Loan, 2002
40. 11.55% Govt. Stock, 2002
41. 11.40% GOI Comp. (Project Exp. to Iraq) Bonds, 2003
42. 11.83% Govt. Stock, 2003
43. 5.75% Loan, 2003
44. 11% Loan, 2003
45. 6.50% Loan, 2003
46. 12.50% Govt. Stock, 2004
47. 12.59% Govt. Stock, 2004
48. 11% Loan, 2004
49. 12.35% Govt. Stock, 2004
50. 9.50% Loan, 2004
51. 6.50% Loan, 2004
52. 11.30% Loan, 2004

53. 14% Govt. Stock, 2005
54. 11.19% Govt. Stock, 2005
55. 14% Govt. Stock, 2005 (pmt. instalments)
56. 13.75% Govt. Stock, 2005
57. 10.50% Loan 2005
58. 11.25% Loan, 2005
59. 6.50% Loan, 2005
60. 8.25% Loan, 2005
61. 14.00% Govt. Stock, 2006
62. 13.85% Govt. Stock, 2006 (pmt. instalments)
63. 13.85% Govt. Stock, 2006
64. 10% GOI Nationalised Banks Recapitalisation Bonds 2006
65. 11.50% Loan, 2006
66. 6.75% Loan, 2006
67. 1.25% Loan, 2006
68. 1.50% Loan, 2006 (II Series)
69. 3.65% Govt. Stock, 2007
70. 3.05% Govt. Stock, 2007
71. 2.50% Loan, 2007
72. 1.50% Loan, 2007
73. 6.75% Loan, 2007
74. 9.50% Loan, 2008
75. 11.50% Loan, 2008
76. 10.80% Loan, 2008
77. 11.50% Loan, 2009
78. 7% Loan, 2009
79. 7.50% Loan, 2010
80. 11.50% Loan, 2010
81. 8.75% Loan, 2010
82. 8% Loan, 2011
83. 11.50% Loan, 2011
84. 12% Loan, 2011
85. 10.25% Loan, 2012
86. 9% Loan, 2013
87. 10% Loan, 2014
88. 10.50% Loan, 2014
89. 11.50% Loan, 2015
90. 6% Capital Index Bonds, 2002
91. 11.57% Govt. Stock, 2004
92. 12.15% Govt. Stock, 2008
93. 11.10% Govt. Stock, 2003
94. 11.75% Govt. Stock, 2006
95. 12.00% Govt. Stock, 2008
96. 11.50% Govt. Stock, 2004
97. 11.90% Govt. Stock, 2007
98. 11.75% Govt. Stock, 2004

99. 12.10% Govt. Stock, 2008
100. 11.55% Govt. Stock, 2001
101. 11.75% Govt. Stock, 2003
102. 12.25% Govt. Stock, 2010
103. 11.95% Govt. Stock, 2004
104. 12.22% Govt. Stock, 2008
105. 11.68% Govt. Stock, 2002
106. 11.78% Govt. Stock, 2003
107. 12.40% Govt. Stock, 2013
108. 11.98% Govt. Stock, 2004
109. 12.25% Govt. Stock, 2008
110. 11.40% Govt. Stock, 2000
111. 12.60% Govt. Stock, 2018
112. 11.47% Govt. Stock, 2001
113. 12.29% Govt. Stock, 2010
114. 12.32% Govt. Stock, 2011
115. 11.99% Govt. Stock, 2009
116. 11.68% Govt. Stock, 2006
117. 12.30% Govt. Stock, 2016

Ref. UBD No.BR.11/16.74.00/98-99 dated June 30, 1999

All Scheduled Primary (Urban) Co-operative Banks

Collection and Dissemination of Information on Cases of Wilful Default of Rs.25.00 lakh and above

Pursuant to the instructions of the Vigilance Commission for collection of information on willful defaults of Rs.25.00 lakh and above by RBI and dissemination to the reporting banks and financial institutions, a Scheme has been framed under which the banks and financial institutions viz. IDBI, IFCI and ICICI will be required to submit the details of the willful defaulters. It has been decided to bring the Scheduled Primary (Urban) Co-operative Banks within the ambit of the Scheme.

2. The details of the scheme are given in the following paragraphs:

- i) The scheme will come into force with effect from April 1, 1999. Accordingly Scheduled Primary (Urban) Co-operative Banks will report all cases of willful defaults which occurred or are detected after March 31, 1999 on a quarterly basis.
- ii) The scheme will cover all non-performing borrowal accounts with outstandings (funded facilities and such non-funded facilities which are converted into funded facilities) aggregating Rs.25.00 lakh and above.

iii) Wilful default will broadly cover the following:

- a) Deliberate non-payment of the dues despite adequate cash flow and good networth.
- 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 bank's knowledge.
- f) Fraudulent transactions by the borrower.

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

- iv) The banks will form a committee consisting of the Chairman of the Board, one/two Directors, Chief Executive officer and the In-charge of Advances Department, for identifying the cases of wilful default.
- v) The first return on wilful default will contain cases for the quarter April 1 to June 30, 1999. Returns for the subsequent quarters will contain fresh-cases as well as those reported in the earlier returns but will exclude cases which have been regularised subsequently. Information on wilful default will be submitted, as per proforma given in Annexure, in a 3.5" floppy diskette, within a month from the quarter to which it relates, direct to the Central office of Urban Banks Department. If there are no cases to report, a Nil statement should be submitted.
- vi) The names of Directors who are stakeholders only should be reported and the names of Professional Directors and Nominee Directors of FIs, Central/State Governments need not be reported.
- vii) In case of consortium/multiple lending, cases of wilful defaults should be reported to other participating/financing banks also.
- viii) In the case of wilful defaulters, only the Board of Directors should consider any fresh limit/renewal/enhancement on merits of each case.

3. The above scheme is in addition to the scheme of Disclosure of Information on Defaulting Borrowers of banks and FIs introduced in terms of our Circulars UBD.NOs. Br.6/16.74.00/95-96, Br. 9/ 16.74.00/96-97 and BR2/16.74.00/98-99 dated May 6, 1996. February 27, 1997 and July 16, 1998, respectively, under which Scheduled (Urban) Cooperative Banks are furnishing to

us details of defaulters of Rs.1.00 crore and above classified as Doubtful or Loss and Suit filed accounts as on March 31 and September 30 since March 1996 and in addition to publication of the list of borrowal accounts against which suits have been filled for recovery of dues as on March 31 every year.

Annexure
Format for Reporting of Data on Wilful Default

Information should be furnished to the Reserve Bank of India in floppy diskette in format specified as below:

- a) Input media : 3.5" floppy disk only
- b) File characteristics : ASCII or dbf file

The field-wise description of various items is as follows:

- 1) Serial Number : 9(4) Unique number to be given to each of the records
- 2) Bank-branch name : x(14) As in the case of Basic Statistical Return
- 3) Party's name : x(45) The legal name
- 4) Registered address : x(96) Registered office address
- (5) Amount outstanding : 9(6) Total amount outstanding in Rs. Lakhs
- 6) Name of directors : x(336) To be divided into 14 sub-fields of 24 bytes each
- 7) Status : Suitfiled or non- suitfiled