

Regulatory and Other Measures

June 2010

RBI/2009-10/481 Ref.DBOD.No.Ret.BC/ 104/
12.06.126/2009-10 dated June 03, 2010

All Scheduled Commercial Banks

Inclusion in the Second Schedule to the Reserve Bank of India Act, 1934- Commonwealth Bank Of Australia.

We advise that the name of 'Commonwealth Bank of Australia' has been included in the Second Schedule to the Reserve Bank of India Act, 1934 by notification DBOD.IBD.No./16082/23.13.127/2009-10 dated March 19, 2010 published in the Gazette of India (Part III-Section 4) dated April 10, 2010.

RBI/2009-10/482 Ref.DBOD.No.Ret.BC.105/
12.06.127/2009-10 dated June 03, 2010

All Scheduled Commercial Banks

Inclusion in the Second Schedule to the Reserve Bank of India Act, 1934- United Overseas Bank Ltd.

We advise that the name of 'United Overseas Bank Ltd.' has been included in the Second Schedule to the Reserve Bank of India Act, 1934 by notification DBOD.IBD.No./16919/23.03.020/2009-10 dated March 26, 2010 published in the Gazette of India (Part III- Section 4) dated April 24, 2010.

RBI/2009-10/483 Ref.DBOD.No.Ret.BC/
107/12.07.063/2009-10 dated June 04, 2010

All Scheduled Commercial Banks

Alteration in the name of bank in the Second Schedule to the Reserve Bank of India Act, 1934 -

'Calyon Bank' to 'Credit Agricole Corporate and Investment Bank'

We advise that the name of 'Calyon Bank' has been changed to 'Credit Agricole Corporate and Investment Bank' in the Second Schedule to the Reserve Bank of India Act, 1934 by notification DBOD.IBD.No./16813/23.13.025/2009-10 dated March 31, 2010, published in the Gazette of India (Part III- Section 4) dated April 24, 2010.

RBI/2009-10/484 Ref.DBOD.No.Ret.BC/ 106/12.007.054/2009-10 dated June 04, 2010

All Scheduled Commercial Banks

Alteration in the name of bank in the Second Schedule to the Reserve Bank of India Act, 1934- 'ABN Amro Bank N.V.' to 'The Royal Bank of Scotland N.V.'

We advise that the name of 'ABN Amro Bank N.V.' has been changed to 'The Royal Bank Of Scotland N.V.' in the Second Schedule to the Reserve Bank of India Act, 1934 by notification DBOD.IBD.No./16083/23.13.020/2009-10 dated March 19, 2010, published in the Gazette of India (Part III- Section 4) dated April 10, 2010.

RBI/2009-10/495 UBD.CO.BPD.No. 70 / 09.09.001/2009-10 dated June 15, 2010

The Chief Executive Officers
All Primary (Urban) Co-operative Banks

Priority Sector Lending – Advances to Micro and Small Enterprises engaged in Exports and Export**Credit to Agriculture and Allied Activities –UCBs**

Please refer to our Master Circular no. 7 dated July 1, 2009 on 'Priority Sector Lending'. In this connection, it is clarified that loans granted to Micro and Small Enterprises (MSE) (manufacturing and services) are eligible for classification under priority sector provided such enterprises satisfy the definition of MSE sector as contained in MSMED Act 2006, irrespective of whether the finance is for export activities or domestic activities. The export credit granted to MSEs may be reported separately as 'Export Credit to Micro and Small Enterprises Sector' in Statement II.

2. Similarly, all loans granted to agriculture and allied activities are eligible to be classified as priority sector loans. The export credit granted for agriculture and allied activities may be reported separately under heading 'Export Credit to Agriculture Sector' in Statement II.

RBI/2009-10/499 RPCD.PLFS. BC. No. 85/05.04.02/2009-10 dated June 18, 2010

The Chairman /Managing Director/ Chief Executive Officer
All Scheduled Commercial Banks
(including RRBs) and Local Area Banks

Credit Flow to Agriculture – Agricultural Loans – Waiver of Margin/Security Requirements

Please refer to our circular RPCD.Plan. BC. No. 87/04.09.01/2003-04 dated May 18, 2004 on the captioned subject.

2. On the basis of representations received seeking enhancement of limits, it has been

decided that banks may waive margin/security requirements for agricultural loans from the existing level of Rs. 50,000/- to Rs.1,00,000/- with immediate effect. Para 3 of our above circular, therefore, stands suitably modified.

3. All other conditions of the above circular remain unchanged.

4. You are requested to give adequate publicity to this change and instruct your controlling offices/branches to implement the same immediately.

RBI/2009-10/500 DBOD.BP.BC.No.112/21.04.048/2009-10 dated June 21, 2010

The Chairmen/Chief Executives of
All Scheduled Commercial Banks
(excluding RRBs & LABs)

Compromise/Negotiated/One Time settlement of Non Performing Assets

Of late, certain serious concerns have been expressed in different quarters and by the Debt Recovery Tribunals over the manner compromise settlements have been effected by banks. One of the DRTs had also observed that banks adopted different parameters to different borrowers, and agreed for a lesser amount as against claimed amount, despite availability of ample securities and by ignoring RBI guidelines.

2. In this connection, we draw your attention to our circular DBOD.No.BP. BC.81/21.01.040/95 dated July 28, 1995, read with circulars DBOD.BP.BC. No.50/21.04.018/

2006-07 dated January 4, 2007, DBOD.BP.BC.34/21.04.048/2007-08 dated October 4, 2007, and other related circulars issued from time to time and advise that adequate care should be taken to ensure that the compromise settlements are done in a fair and transparent manner and in full compliance with RBI guidelines on the matter.

3. It has also been decided that henceforth, the officer/authority sanctioning a compromise/one time settlement should append a certificate stating that the compromise settlements are in conformity with the RBI guidelines.

RBI/2009-10/503 DPSS. CO. CHD. No. 2806/04.07.05/2009-10 dated June 22, 2010

The Chairman and Managing Director /
Chief Executive Officer
All Scheduled Commercial Banks including
RRBs /
Urban Co-operative Banks / State
Co-operative Banks /
District Central Co-operative Banks

Standardisation and Enhancement of Security Features in Cheque Forms

We invite your attention to our circular DPSS.CO.CHD.No. 1832/04.07.05/2009-10 dated February 22, 2010 on the subject and specifically to Paragraph 1.8 contained in the annexure thereto on 'prohibiting alterations/corrections on cheques'.

A few references have been received from banks and members of the public seeking certain clarifications on legal validity, effective date of implementation, etc. We wish to clarify that the prescription

on 'prohibiting alterations / corrections on cheques' -

- i. has been formulated on the basis of recommendations of a working group constituted for examining the need for standardisation of cheque forms and enhancement of security features therein and after consultations with banks;
- ii. has been introduced to curtail cheque frauds on account of alterations in the various fields of cheques and to give protection to customers as well as banks;
- iii. will be applicable only for cheques cleared under the image-based Cheque Truncation System (CTS). Collecting banks should ensure, *ab initio*, that such cheques are not accepted for presentment in CTS.
- iv. is not applicable to cheques cleared under other clearing arrangements such as MICR clearing, non-MICR clearing, over the counter collection (for cash payment) or direct collection of cheques outside the Clearing House arrangement .
- v. has been issued in exercise of statutory powers conferred on the Reserve Bank of India under the Payment and Settlement Systems Act, 2007.

This prescription will be effective from December 1, 2010. Banks are advised to ensure that adequate care is taken to educate the customers and to create awareness among them so that the entire process is carried out in a smooth manner. As regards other aspects contained in our circular under reference, separate communication will follow from Indian

Banks' Association/National Payments Corporation of India.

RBI/2009-10/511 DBOD.Dir.(Exp).BC.No. 115/04.02.001/2009-10 dated June 29, 2010

All Scheduled Commercial Banks
(excluding RRBs)

Rupee Export Credit Interest Rates

Please refer to our circular DBOD.Dir.(Exp).BC.No.94/04.02.001/2009-10 dated April 23, 2010, extending the scheme of Interest Subvention of 2 percentage points from April 1, 2010 to March 31, 2011 on pre and post-shipment rupee export credit for four export sectors *viz.* Handicrafts, Carpets, Handlooms and Small & Medium Enterprises (SME), subject to the condition that banks will charge interest rate not exceeding BPLR minus 4.5 percentage points on pre-shipment credit up to 270 days and post-shipment credit up to 180 days on the outstanding amount for the period April 1, 2010 to March 31, 2011 to these sectors. However, the total subvention is subject to the condition that the interest rate, after subvention will not fall below 7 per cent, which is the rate applicable to the short term crop loan under priority sector lending.

2. However, with the change over to the Base Rate System, the interest rates applicable for all tenors of rupee export credit advances with effect from July 1, 2010 will be at or above Base Rate in respect of all fresh/renewed advances as advised *vide* our circular DBOD.Dir.(Exp).BC.No.102/04.02.001/2009-10 dated May 6, 2010. Accordingly, banks may reduce the interest rate chargeable to the exporters as per the

Base Rate System in the above mentioned sectors by the amount of subvention available. If, as a consequence, the interest rate charged to exporters goes below the Base Rate, such lending will not be construed to be violative of the Base Rate guidelines.

3. All other terms and conditions of our circular dated April 23, 2010 mentioned above remain the same.

RBI/2009-10/510 RPCD.SME & NFS.No.BC.
90 /06.02.31/2009-10 dated June 29, 2010

The Chairman/ Managing Directors/
Chief Executive Officer

All Scheduled Commercial Banks

Recommendations of the Prime Minister's High Level Task Force on MSMEs

As per extant instructions contained in para 1.3 and para 2.1.3 of the Master Circular on lending to Micro, Small and Medium Enterprises (MSME) sector banks are advised to ensure that:

- (a) 40 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs.5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh;
- (b) 20 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises with

investment in plant and machinery above Rs. 5 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 2 lakh and up to Rs. 10 lakh. (Thus, 60 per cent of MSE advances should go to the micro enterprises).

2. In terms of the recommendations of the Prime Minister's Task Force on Micro, Small and Medium Enterprises (MSMEs) (Chairman: Shri T. K. A. Nair) constituted by the Government of India banks are advised as under:

- i. Achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow;
- ii. The allocation of 60 per cent of the MSE advances to the micro enterprises is to be achieved in stages *viz.* 50 per cent in the year 2010-11, 55 per cent in the year 2011-12 and 60 per cent in the year 2012-13 and
- iii. Achieve a 10 per cent annual growth in number of micro enterprise accounts.

3. It is further advised that banks should open more MSE focused branch offices at different MSE clusters which can also act as Counselling Centres for MSEs. Each lead bank of a district may adopt at least one MSE cluster.

4. You are requested to issue suitable instructions to your controlling offices/branches for strict compliance in this regard and submit an Action Taken Report to us by July 2010.