

RPCD.RF.BC.No.59/07.37.02/2003-04

January 05, 2004
Pausa 15, 1925(S)

All State/Central Co-operative Banks/
Regional Rural Banks

Dear Sir,

**Inter Branch Adjustment Accounts -
Provisioning for Net Debit Balances**

It has been observed that the number and amount of outstanding debit and credit entries as also the period of pendency in the branch adjustment accounts of the State/Central Co-operative Banks and Regional Rural Banks is increasing over the years, even after being brought to their notice in the inspection reports of NABARD.

Keeping the above position in view and for putting in place the best international accounting standards by these banks in line with those applicable to scheduled commercial banks, it has been decided to prescribe prudential provisioning norms for net debit balances outstanding in their Inter Branch Accounts in a phased manner.

The State/Central Co-operative Banks/Regional Rural Banks are, therefore, advised that they should segregate the debit and credit entries in Inter Branch Account pertaining to period up to March 31, 2001 outstanding as on March 31, 2004 and arrive at a net position. In case of a net debit, provisioning should be made from the year ending March 2004 as under:

<u>Year ending</u>	<u>Provisioning</u> %
March 2004	10
March 2005	40
March 2006	50

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The reconciliation exercise should be pursued vigorously and as on March 31, 2006 net debit positions in respect of entries prior to March 31, 2004 are to be fully provided for. In case of net debit position **for year, subsequent to 31 March 2004 same may be fully provided for.**

In such cases where the above account is maintained in different categories eg. DD purchase/discounted, expenses incurred on behalf of the branches, etc, it may please be noted that net debit position in one category must not be utilized for setting off net credit in another category.

The contents of this circular may please be placed before the Board of your bank for scrupulous compliance.

Please acknowledge receipt to the concerned Regional Office of the Bank.

Yours faithfully,

(Varughese John)
Chief General Manager in-Charge