

Inter-branch Accounts-Provisioning for net debit balance

February 26, 2003

DBOD No. BP.BC. 73 /21.04.018/2002-03
All Scheduled Commercial banks
(excluding RRBs and LABs)

Dear Sir,

Inter-branch Accounts- Provisioning for net debit balance

Please refer to our circular DBOD No. BP.BC.22/21.04.018/99 dated March 24, 1999 wherein banks were advised that from the year ended March 31, 1999, they should make 100 percent provision for the net debit position in their Inter-branch Accounts, arising out of the un-reconciled entries (both debit and credit) outstanding for more than three years as on March 31 every year. To expedite the process of reconciliation, the period allowed for making provision against the net debit balance in the inter-branch accounts was brought down from three years to two years from the year ended March 31, 2001 vide our circular DBOD No. BP.BC. 133/21.04.018/2000 dated January 10, 2000 and further to one year from the year ended March 31, 2002 vide our circular DBOD No. BP.BC.17/21.04.018/201-02 dated August 24, 2001. While reviewing the progress made by banks in a recent meeting the Board for Financial Supervision noted that a large number of banks were able to reconcile the entries in time and hence the banking system in general needed to be complimented. It was also decided that the guidelines for making provisions should be revised.

2. In this connection, banks' attention is invited to paragraph 3 of our circular DBOD No. Fol. BC.114/16.01.001-93 dated April 28, 1993, in terms of which banks are required to reconcile the entries outstanding in their inter branch accounts within a period of six months. With this end in view and in keeping with the best banking practices, it has been decided to further reduce the time period allowed to banks for making provision against the net debit balance in the inter-branch account **from one year to six months from the year ending March 31, 2004.**

3. Accordingly, banks should arrive at the category-wise position of unreconciled entries outstanding in the inter-branch accounts for more than six months as on March 31, 2004 and make provision equivalent to 100 percent of the aggregate net debit under all categories. While doing so, it may be ensured that:

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(i) The credit balance in the Blocked Account created in terms of our instructions contained in our circular DBOD No. BP.BC.73/21.04.018/98 dated July 27, 1998 is also taken into account; and

(ii) The net debit in one category is not set-off against net credit in another category.

4. Please acknowledge receipt.

Yours faithfully,

(M.R.Srinivasan)
Chief General Manager-in-Charge