RBI/2004-05/166
DBOD.No.BC. 38 /12.01.001/2004-2005

September 9, 2004

All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Dear Sir

Maintenance of CRR/SLR – Computation of DTL/NDTL

During the course of inspection of some of the banks conducted recently by our Department of Banking Supervision, certain deficiencies in the computation of DTL/NDTL for the purpose of maintaining CRR/SLR were observed as detailed below:

(i) reckoning foreign lines of credit availed for funding Preshipment Credit in Foreign Currency (PCFC) as "Liabilities to banking system in India" instead of as "Liabilities to Others" as indicated in our circular DBOD.No.BC.111/ 12.02.001/97 dated October 13, 1997.

(ii) not properly segregating items which are in the nature of outside liabilities from the inter-branch account and thereby understating outside liabilities.

(iii) not properly segregating the call borrowings into "Liabilities to Banking System" and "Liabilities to Others".

(iv) Incorrect reckoning of liabilities under drafts/interest/dividend warrants payable at correspondent banks in Head Office account resulting in understatement of outside liabilities.

Further, it was observed during the course of our inspection, that the in-house software being used by some of the banks for arriving at NDTL was also found to be deficient inasmuch as it was not ensured that all the items which are in the nature of outside liabilities are reckoned for the purpose of DTL/NDTL.

2. From the above, it is apparent that banks are yet to put in place a fool-proof system to ensure that all items of external liabilities are reckoned for the purpose of compiling the DTL/NDTL based on which the reserve requirements are required to be worked out.

3. Keeping in view the above aspects, it has been decided that all banks should undertake a special scrutiny of the computation of their DTL/NDTL with a view to ensuring that the same is worked out strictly in tune with our extant instructions on the subject. You may please therefore immediately arrange for a special review/scrutiny of the computation of DTL/NDTL by your bank. The integrity of the software used by the bank for the purpose may also be verified. The scrutiny may be carried out by the internal or external auditors.

4. Based on the outcome of the scrutiny, wherever deficiencies are observed in the computation of DTL/NDTL, banks concerned may advise us the details thereof and also arrange to submit revised Form A/Form VIII. Where no deficiencies are observed in the computation of DTL/NDTL, banks may please arrange to forward to us a Certificate signed by the internal/external auditors and the bank's

CEO to the effect that the DTL/NDTL is being worked out strictly in accordance with the instructions issued by RBI from time to time. The Certificate may be forwarded to us within a period of one month from the date of issue of this circular.

Yours faithfully

Sd/-

(Prashant Saran)
Chief General Manager