

RBI/ 2006-07/ 174

RPCD.PLFS. BC. No. 32 /05.04.02/ 2006-07

November 13, 2006

The Chairman /Managing Director/ Chief Executive Officer

All Scheduled Commercial Banks

Dear Sir,

Relief Measures to assist Distressed Farmers

Please refer to paragraph 119 of the Mid-term Review of Annual Policy Statement for the year 2006-07 (copy enclosed).

2. At present the benefits of OTS schemes are not available for farmers, whose accounts have earlier been rescheduled/converted on account of natural calamities as such accounts are treated as current dues. In reality, however, the condition of these farmers is not much different from those covered by these schemes.

3. In order, therefore, to assist such distressed farmers as also farmers defaulting on their loans, due to circumstances beyond their control, banks may frame transparent OTS policies for such farmers, with the approval of their Boards.

4. Please acknowledge receipt.

Yours faithfully,

(C.S. Murthy)

Chief General Manager-in-Charge

Annex

Paragraph 119 of the Mid-term review of Annual Policy for the year 2006-07:

“The Working Group (Chairman: Prof. S.S.Johl), constituted by the Reserve Bank to suggest measures for assisting distressed farmers including provision of financial counselling services and introduction of a specific Credit Guarantee

Scheme under the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act for such farmers, submitted its interim report in October, 2006. In the light of the recommendations of the Group and with a view to ensuring transparency in implementation of the one time settlement (OTS) scheme, it is proposed that:

- banks, with approval of their boards, may formulate a transparent policy for providing OTS facility to those farmers whose accounts have been rescheduled/ restructured due to natural calamities as also those who have defaulted on account of circumstances beyond their control.”