

RBI 2008-09/278

DBOD.No.BP.BC. 78 /21.04.048/2008-09

November 11, 2008

The Chairman / CMD / MD / CEO
All Scheduled Commercial Banks (including Local Area Banks)
(Excluding RRBs)

Dear Sir

Union Budget 2008-09 – Agricultural Debt Waiver and Debt Relief Scheme, 2008 – Prudential Norms on Income Recognition, Asset Classification, Provisioning and Capital Adequacy

Please refer to our circular DBOD.No.BP.BC. 26/21.04.048/2008-09 dated July 30 2008, on the captioned subject.

2. In this regard, we advise that under the captioned scheme, the Government of India has since decided to pay interest on the 2nd, 3rd, and 4th instalments, payable by July 2009, July 2010, and July 2011 respectively, at the prevailing Yield to Maturity Rate on 364-day Government of India Treasury Bills. The interest will be paid on these instalments from the date of the reimbursement of the first instalment (i.e. November 2008) till the date of the actual reimbursement of each instalment.

3. In view of the above, in supersession of the instructions contained in paragraphs 2.2 to 2.7, 3.2 (a), and 3.4 to 3.8 of the aforesaid circular, it has been decided that the banks need not make any provisions for the loss in Present Value (PV) terms for moneys receivable only from the Government of India, for the accounts covered under the Debt Waiver Scheme and the Debt Relief Scheme. All other conditions in the aforesaid circular remain unchanged.

Yours faithfully

(Prashant Saran)
Chief General Manager-in- Charge