

RBI sets up Working Group on Discounting of Bills by Banks

December 3, 1999

The Reserve Bank of India has constituted a Working Group on Discounting of Bills by banks to examine the possibility of extending bill discounting facility to services sector. At present, banks are allowed to discount only bills covering purchase of raw material/inventory for production purposes and sale of goods. Bills covering payment of electricity charges, customs duty, hire purchase/lease rental instalments and sale of securities are not eligible for discounting by banks. Further, in general, banks are prohibited from discounting bills covering services. But, in the context of the growing importance of the services sector especially industries such as, information technology and software services, travel, tourism etc., it is considered necessary to examine the possibility of extending bills discounting facility to this sector.

The composition of the Working Group is:

Name

Shri K.R. Ramamoorthy, Chairman Vysya Bank	Chairman
Shri Harbans Lal, Chief General Manager (Credit), National Banking Group, State Bank of India	Member
Ms. Anuradha Nadkarni Director and Head of Financial Institutions Group, ANZ Grindlays Bank	Member
Dr. G.S.Bhati Adviser Monetary Policy Department, Reserve Bank of India	Member
Shri J.B. Mhatre, Deputy General Manager, Department of Banking Operations & Development, Reserve Bank of India	Member
Shri R.M. Thakkar, Deputy General Manager, Department of Banking Supervision,	Member

Reserve Bank of India

Shri T.S. Sohal, Member
Director,
Department of Economic Analysis and Policy
Reserve Bank of India

Shri K. Chandrachoodan, Member
Deputy General Manager, Secretary
Monetary Policy Department,
Reserve Bank of India

Shri S.D. Sapkal Member
Deputy General Manger, Secretary
Industrial & Export Credit Department,
Reserve Bank of India

The terms of reference of the Working Group are to :

- (i) examine the feasibility and suggest measures to strengthen the existing Bills Discounting mechanism as an instrument for facilitating financing in particular trade and services sectors, including discounting of Trade Bills against letters of credit opened by banks.
- (ii) examine the role and scope for introducing "Bankers' Acceptance" facility.
- (iii) examine all critical and relevant issues including the necessary safeguards to be put in place before extending Bills discounting to new areas like services and introduction of "Bankers Acceptance" facility.
- (iv) suggest any necessary changes in the existing legal/regulatory frame work that may be needed.
- (v) suggest any other issue relevant/incidental to the subject which the Group considers necessary.

The Working Group shall submit its report within a period of two months after its first meeting.

Alpana Killawala
General Manager

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